

# **Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress**

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## Summary

The planned size of the Navy, the rate of Navy ship procurement, and the prospective affordability of the Navy's shipbuilding plans have been matters of concern for the congressional defense committees for the past several years. The apparent end of the post-Cold War era and the transition to a new international security situation featuring renewed great power competition has intensified concerns among some observers regarding the current and future size and capabilities of the Navy.

The Navy's proposed FY2017 budget requests funding for the procurement of seven new battle force ships (i.e., ships that count against the Navy's goal for achieving and maintaining a fleet of 308 ships). The seven ships include two Virginia-class attack submarines, two DDG-51 class Aegis destroyers, two Littoral Combat Ships (LCSs), and one LHA-type amphibious assault ship.

The Navy's proposed FY2017-FY2021 five-year shipbuilding plan includes a total of 38 new ships, compared to 48 new ships in the Navy's FY2016-FY2020 five-year shipbuilding plan. Most of the 10-ship reduction in the FY2017-FY2021 plan compared to the FY2016-FY2020 plan is due to a reduction in the annual procurement rate for the Littoral Combat Ship (LCS)/Frigate program that was directed by the Secretary of Defense in December 2015.

The Navy's current force-structure goal, presented to Congress in 2015, is to achieve and maintain a future fleet of 308 ships of various kinds. Navy officials testified in early 2016 that in light of recent changes in the international security environment, the Navy had launched a new analysis of its future force structure needs. Such analyses are called Force Structure Assessments (FSAs). On September 15, 2016, the Chief of Naval Operations testified that the Navy anticipates completing the new FSA by the end of September 2016. Some observers believe this new FSA will result in an increase in the Navy's force-level goal to a figure higher than 308 ships, in part because it will call for an increased Navy forward-deployed presence in the Mediterranean, a region that was deemphasized as a Navy forward-deployed operating area during the post-Cold War era.

The Navy's FY2017-FY2046 30-year shipbuilding plan, like many previous 30-year shipbuilding plans, does not include enough ships to fully support all elements of the Navy's 308-ship goal over the entire 30-year period. In particular, the Navy projects that the fleet would experience a shortfall in large surface combatants (i.e., cruisers and destroyers) from FY2034 through FY2037, and from FY2041 through at least FY2046; a shortfall in small surface combatants (i.e., LCSs and frigates) for the entire 30-year period; a shortfall in attack submarines from FY2025 through FY2036; and a shortfall in amphibious ships from FY2017 through FY2021, in FY2040, and from FY2042 through at least FY2046. The 30-year duration of the shortfall in small surface combatants appears principally due to the December 2015 direction from the Secretary of Defense to reduce the LCS/Frigate program from 52 ships to 40 ships.

The Navy's report on its FY2016 30-year shipbuilding plan estimates that the plan would cost an average of about \$16.5 billion per year in constant FY2015 dollars to implement, including an average of about \$16.9 billion per year during the first 10 years of the plan, an average of about \$17.2 billion per year during the middle 10 years of the plan, and an average of about \$15.2 billion per year during the final 10 years of the plan.

An October 2015 Congressional Budget Office (CBO) report on the Navy's FY2015 30-year shipbuilding plan estimates that the plan would require 11.5% more funding to implement than the Navy estimates, including 7.7% more than the Navy estimates during the first 10 years of the plan, 11.6% more than the Navy estimates during the middle 10 years of the plan, and 17.1% more than the Navy estimates during the final 10 years of the plan. Over the years, CBO's

estimates of the cost to implement the Navy's 30-year shipbuilding plan have generally been higher than the Navy's estimates. Some of the difference between CBO's estimates and the Navy's estimates, particularly in the latter years of the plan, is due to a difference between CBO and the Navy in how to treat inflation in Navy shipbuilding. The program that contributes the most to the difference between the CBO and Navy estimates of the cost of the 30-year plan is a future destroyer that appears in the latter years of the 30-year plan.

Potential issues for Congress in reviewing the Navy's proposed FY2017 shipbuilding budget, its proposed FY2017-FY2021 five-year shipbuilding plan, and its 30-year (FY2017-FY2046) shipbuilding plan include the following:

- the potential impact on FY2017 shipbuilding programs of using a continuing resolution (CR) to fund Department of Defense (DOD) programs for the first several weeks of FY2017;
- whether to approve, reject, or modify the Navy's FY2017 shipbuilding funding requests;
- the potential impact on the size and capability of the Navy of limiting DOD spending through FY2021 to the levels set forth in the Budget Control Act (BCA) of 2011, as amended;
- the affordability of the 30-year shipbuilding plan; and
- the appropriate future size and structure of the Navy in light of budgetary and strategic considerations.

Funding levels and legislative activity on certain individual Navy shipbuilding programs are tracked in detail in other CRS reports.

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## Introduction

This report presents background information and issues for Congress concerning the Navy's ship force-structure goals and shipbuilding plans. The planned size of the Navy, the rate of Navy ship procurement, and the prospective affordability of the Navy's shipbuilding plans have been matters of concern for the congressional defense committees for the past several years. The apparent end of the post-Cold War era and the transition to a new international security situation featuring renewed great power competition has intensified concerns among some observers regarding the current and future size and capabilities of the Navy.

The Navy's proposed FY2017 budget requests funding for the procurement of seven new battle force ships—two Virginia-class attack submarines, two DDG-51 class Aegis destroyers, two Littoral Combat Ships (LCSs), and one LHA-type amphibious assault ship. The Navy's proposed FY2017-FY2021 five-year shipbuilding plan includes a total of 38 new ships.

Decisions that Congress makes on Navy shipbuilding programs can substantially affect Navy capabilities and funding requirements, and the U.S. shipbuilding industrial base.

A separate CRS report discusses in some detail proposals made by some observers for increasing the planned size of the Navy to about 350 ships.<sup>1</sup>

Detailed coverage of certain individual Navy shipbuilding programs can be found in the following CRS reports:

- CRS Report RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke. (This report also covers the issue of the Navy's proposal in its FY2017 budget submission to deactivate one of the Navy's 10 carrier air wings.)
- CRS Report R41129, *Navy Ohio Replacement (SSBN[X]) Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL32418, *Navy Virginia (SSN-774) Class Attack Submarine Procurement: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL33741, *Navy Littoral Combat Ship (LCS)/Frigate Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R43543, *Navy LX(R) Amphibious Ship Program: Background and Issues for Congress*, by Ronald O'Rourke. (This report also covers the issue of funding for the procurement of San Antonio [LPD-17] class amphibious ships.)
- CRS Report R43546, *Navy John Lewis (TAO-205) Class Oiler Shipbuilding Program: Background and Issues for Congress*, by Ronald O'Rourke.

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<sup>1</sup> CRS Report R44635, *Navy Force Structure: A Bigger Fleet? Background and Issues for Congress*, by Ronald O'Rourke.

# Background

## Strategic and Budgetary Context

This section presents some brief comments on elements of the strategic and budgetary context in which U.S. Navy force structure and shipbuilding plans may be considered.

### Shift in International Security Environment

World events have led some observers, starting in late 2013, to conclude that the international security environment has undergone a shift from the familiar post-Cold War era of the past 20-25 years, also sometimes known as the unipolar moment (with the United States as the unipolar power), to a new and different strategic situation that features, among other things, renewed great power competition and challenges to elements of the U.S.-led international order that has operated since World War II. This situation is discussed further in another CRS report.<sup>2</sup>

### Declining U.S. Technological and Qualitative Edge

Department of Defense (DOD) officials have expressed concern that the technological and qualitative edge that U.S. military forces have had relative to the military forces of other countries is being narrowed by improving military capabilities in other countries. China's improving naval capabilities contribute to that concern.<sup>3</sup> To arrest and reverse the decline in the U.S. technological and qualitative edge, DOD in November 2014 announced a new Defense Innovation Initiative.<sup>4</sup> In a related effort, DOD has also announced that it is seeking a new general U.S. approach—a so-called “third offset strategy”—for maintaining U.S. superiority over opposing military forces that are both numerically large and armed with precision-guided weapons.<sup>5</sup>

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<sup>2</sup> CRS Report R43838, *A Shift in the International Security Environment: Potential Implications for Defense—Issues for Congress*, by Ronald O'Rourke.

<sup>3</sup> For more on China's naval modernization effort, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

<sup>4</sup> See, for example, Cheryl Pellerin, “Hagel Announces New Defense Innovation, Reform Efforts,” *DOD News*, November 15, 2014; Jake Richmond, “Work Explains Strategy Behind Innovation Initiative,” *DOD News*, November 24, 2014; and memorandum dated November 15, 2015, from Secretary of Defense Chuck Hagel to the Deputy Secretary of Defense and other DOD recipients on The Defense Innovation Initiative, accessed online on July 21, 2015, at <http://www.defense.gov/pubs/OSD013411-14.pdf>.

<sup>5</sup> See, for example, Jake Richmond, “Work Explains Strategy Behind Innovation Initiative,” *DOD News*, November 24, 2014; Claudette Roulo, “Offset Strategy Puts Advantage in Hands of U.S., Allies,” *DOD News*, January 28, 2015; Cheryl Pellerin, “Work Details the Future of War at Army Defense College,” *DOD News*, April 8, 2015.

See also Deputy Secretary of Defense Speech, National Defense University Convocation, As Prepared for Delivery by Deputy Secretary of Defense Bob Work, National Defense University, August 05, 2014, accessed July 21, 2015, at <http://www.defense.gov/speeches/speech.aspx?speechid=1873>; Deputy Secretary of Defense Speech, The Third U.S. Offset Strategy and its Implications for Partners and Allies, As Delivered by Deputy Secretary of Defense Bob Work, Willard Hotel, January 28, 2015, accessed July 21, 2015, at <http://www.defense.gov/speeches/speech.aspx?speechid=1909>; Deputy Secretary of Defense Speech, Army War College Strategy Conference, As Delivered by Deputy Secretary of Defense Bob Work, U.S. Army War College, April 08, 2015, accessed July 21, 2015, at <http://www.defense.gov/Speeches/Speech.aspx?SpeechID=1930>.

The effort is referred to as the search for a third offset strategy because it would succeed a 1950s-1960s U.S. strategy of relying on nuclear weapons to offset the Soviet Union's numerical superiority in conventional military forces (the first offset strategy) and a subsequent U.S. offset strategy, first developed and fielded in the 1970s and 1980s, that centered on information technology and precision-guided weapons (the second offset strategy). (For more on the second offset strategy, see DOD News Release No: 567-96, October 3, 1996, “Remarks as Given by Secretary of Defense William J. (continued...)”)



## **Challenge to U.S. Sea Control and U.S. Position in Western Pacific**

Observers of Chinese and U.S. military forces view China's improving naval capabilities as posing a potential challenge in the Western Pacific to the U.S. Navy's ability to achieve and maintain control of blue-water ocean areas in wartime—the first such challenge the U.S. Navy has faced since the end of the Cold War.<sup>6</sup> More broadly, these observers view China's naval capabilities as a key element of an emerging broader Chinese military challenge to the long-standing status of the United States as the leading military power in the Western Pacific.

## **U.S. Grand Strategy**

Discussion of the above-mentioned shift in the international security environment has led to a renewed emphasis in discussions of U.S. security and foreign policy on grand strategy and geopolitics. From a U.S. perspective, grand strategy can be understood as strategy considered at a global or interregional level, as opposed to strategies for specific countries, regions, or issues. Geopolitics refers to the influence on international relations and strategy of basic world geographic features such as the size and location of continents, oceans, and individual countries.

From a U.S. perspective on grand strategy and geopolitics, it can be noted that most of the world's people, resources, and economic activity are located not in the Western Hemisphere, but in the other hemisphere, particularly Eurasia. In response to this basic feature of world geography, U.S. policymakers for the past several decades have chosen to pursue, as a key element of U.S. national strategy, a goal of preventing the emergence of a regional hegemon in one part of Eurasia or another, on the grounds that such a hegemon could represent a concentration of power strong enough to threaten core U.S. interests by, for example, denying the United States access to some of the other hemisphere's resources and economic activity. Although U.S. policymakers have not often stated this key national strategic goal explicitly in public, U.S. military (and diplomatic) operations in recent decades—both wartime operations and day-to-day operations—can be viewed as having been carried out in no small part in support of this key goal.

The U.S. goal of preventing the emergence of a regional hegemon in one part of Eurasia or another is a major reason why the U.S. military is structured with force elements that enable it to cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival. Force elements associated with this goal include, among other things, an Air Force with significant numbers of long-range bombers, long-range surveillance aircraft, long-range airlift aircraft, and aerial refueling tankers, and a Navy with significant numbers aircraft carriers, nuclear-powered attack submarines, large surface combatants, large amphibious ships, and underway replenishment ships. For additional discussion, see **Appendix C**.

## **U.S. Strategic Rebalancing to Asia-Pacific Region**

For decades, the Western Pacific has been a major operational area (i.e., operational “hub”) for forward-deployed U.S. Navy forces. In coming years, the importance of the Western Pacific as an

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(...continued)

Perry To the National Academy of Engineering, Wednesday, October 2, 1996,” accessed July 21, 2015, at <http://www.defense.gov/releases/release.aspx?releaseid=1057>.)

<sup>6</sup> The term “blue-water ocean areas” is used here to mean waters that are away from shore, as opposed to near-shore (i.e., littoral) waters. Iran is viewed as posing a challenge to the U.S. Navy's ability to quickly achieve and maintain sea control in littoral waters in and near the Strait of Hormuz. For additional discussion, see CRS Report R42335, *Iran's Threat to the Strait of Hormuz*, coordinated by Kenneth Katzman.



operational hub for forward-deployed U.S. Navy forces may grow further: A 2012 DOD strategic guidance document<sup>7</sup> and DOD's report on the 2014 Quadrennial Defense Review (QDR)<sup>8</sup> state that U.S. military strategy will place an increased emphasis on the Asia-Pacific region (meaning, for the U.S. Navy, the Western Pacific in particular). Although Administration officials state that this U.S. strategic rebalancing toward the Asia-Pacific region, as it is called, is not directed at any single country, many observers believe it is in no small part intended as a response to China's military (including naval) modernization effort and its assertive behavior regarding its maritime territorial claims. As one reflection of the U.S. strategic rebalancing to the Asia-Pacific region, Navy plans call for increasing over time the number of U.S. Navy ships that are deployed to the region on a day-to-day basis.

### **Continued Operations in Persian Gulf/Indian Ocean**

In announcing the U.S. strategic rebalancing to the Asia-Pacific region, DOD officials noted that the United States would continue to maintain a forward-deployed military presence in the Middle East (meaning, for the U.S. Navy, primarily the Persian Gulf/Indian Ocean region). U.S. military operations to counter the Islamic State organization and other terrorist organizations in the Middle East are reinforcing demands for forward-deploying U.S. military forces, including U.S. naval forces, to that region.

### **Potential Increased Demand for U.S. Naval Forces Around Europe**

During the Cold War, the Mediterranean was one of three major operational hubs for forward-deployed U.S. Navy forces (along with the Western Pacific and the Persian Gulf/Indian Ocean region). Following the end of the Cold War, the Mediterranean was deemphasized as an operating hub for forward-deployed U.S. Navy forces. This situation might be changing once again: Russia's seizure and annexation of Crimea in March 2014, Russia's actions in Eastern Ukraine, operations by Russian military forces around the periphery of Europe and in the Arctic, and developments in North Africa and Syria are once again focusing U.S. policymaker attention on U.S. military operations in Europe and its surrounding waters, and in the Arctic (meaning, for the U.S. Navy, potentially increased operations in the Mediterranean and perhaps the Norwegian Sea and the Arctic).

### **Longer Ship Deployments**

U.S. Navy officials have testified that fully meeting requests from U.S. regional combatant commanders (COCOMs) for forward-deployed U.S. naval forces would require a Navy much larger than today's fleet. For example, Navy officials testified in March 2014 that a Navy of 450 ships would be required to fully meet COCOM requests for forward-deployed Navy forces.<sup>9</sup> COCOM requests for forward-deployed U.S. Navy forces are adjudicated by DOD through a process called the Global Force Management Allocation Plan. The process essentially makes choices about how to best to apportion a finite number forward-deployed U.S. Navy ships among

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<sup>7</sup> Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21<sup>st</sup> Century Defense*, January 2012, 8 pp. For additional discussion, see CRS Report R42146, *Assessing the January 2012 Defense Strategic Guidance (DSG): In Brief*, by Catherine Dale and Pat Towell.

<sup>8</sup> Department of Defense, *Quadrennial Defense Review 2014*, 64 pp. For additional discussion, see CRS Report R43403, *The 2014 Quadrennial Defense Review (QDR) and Defense Strategy: Issues for Congress*, by Catherine Dale.

<sup>9</sup> Spoken testimony of Admiral Jonathan Greenert at a March 12, 2014, hearing before the House Armed Services Committee on the Department of the Navy's proposed FY2015 budget, as shown in transcript of hearing.

competing COCOM requests for those ships. Even with this process, the Navy has lengthened the deployments of some ships in an attempt to meet policymaker demands for forward-deployed U.S. Navy ships. Although Navy officials are aiming to limit ship deployments to seven months, Navy ships in recent years have frequently been deployed for periods of eight months or more.

### **Limits on Defense Spending in Budget Control Act of 2011 as Amended**

Limits on the “base” portion of the U.S. defense budget established by Budget Control Act of 2011, or BCA (S. 365/P.L. 112-25 of August 2, 2011), as amended, combined with some of the considerations above, have led to discussions among observers about how to balance competing demands for finite U.S. defense funds, and about whether programs for responding to China’s military modernization effort can be adequately funded while also adequately funding other defense-spending priorities, such as initiatives for responding to Russia’s actions in Ukraine and elsewhere in Europe and U.S. operations for countering the Islamic State organization in the Middle East. U.S. Navy officials have stated that if defense spending remains constrained to levels set forth in the BCA as amended, the Navy in coming years will not be able to fully execute all the missions assigned to it under the 2012 DOD strategic guidance document.<sup>10</sup>

## **Navy’s Ship Force Structure Goal**

### **March 2015 Goal for Fleet of 308 Ships**

On March 17, 2015, in response to language in H.Rept. 113-446 (the House Armed Services Committee’s report on H.R. 4435, the FY2015 National Defense Authorization Act),<sup>11</sup> the Navy submitted to Congress a report presenting a goal for achieving and maintaining a fleet of 308 ships, consisting of certain types and quantities of ships.<sup>12</sup> The goal for a 308-ship fleet is the result of 2014 update to a force structure assessment (FSA) that the Navy completed in 2012. The Navy states that 308-ship fleet is designed to meet the projected needs of the Navy in the 2020s.

**Table 1** compares the 308-ship goal to earlier Navy ship force structure plans. Compared to the Navy’s previous 306-ship goal, the differences consist of a requirement for one additional amphibious ship (specifically, a 12<sup>th</sup> LPD-17 class amphibious ship) and a requirement for one additional Mobile Landing Platform/Afloat Forward Staging Base (MLP/AFSB) ship (a ship included in **Table 1** in the “Other” category).

### **New Force Structure Assessment (FSA) Now Being Done**

Navy officials testified in early 2016 that in light of recent changes in the international security environment, the Navy had launched a new FSA that it hopes to complete by summer 2016. Some observers believe this new FSA will result in an increase in the Navy’s force-level goal to a figure higher than 308 ships, in part because it might call for an increased Navy forward-deployed presence in the Mediterranean, a region that was deemphasized as a Navy forward-deployed

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<sup>10</sup> See, for example, Statement of Admiral Jonathan Greenert, U.S. navy, Chief of Naval Operations, Before the Senate Armed Services Committee on the Impact of Sequestration on National Defense, January 28, 2015, particularly page 4 and Table 1, entitled “Mission Impacts to a Sequestered Navy.”

<sup>11</sup> See pages 205-206 of H.Rept. 113-446 of May 13, 2014.

<sup>12</sup> Department of the Navy, *Report to Congress [on] Navy Force Structure Assessment*, February 2015, 5 pp. The cover letters for the report are dated March 17, 2015.

operating area during the post-Cold War era.<sup>13</sup> At a September 15, 2016, hearing with the military service chiefs before the Senate Armed Services Committee, Admiral John Richardson, the Chief of Naval Operations, testified that the Navy anticipates completing the new FSA by the end of September 2016.<sup>14</sup>

**Table 1. Current 308 Ship Force Structure Goal Compared to Earlier Goals**

Ship type	308-ship plan of March 2015	306-ship plan of January 2013	~310-ship plan of March 2012	Revised 313-ship plan of September 2011	Changes to February 2006 313-ship plan announced through mid-2011	February 2006 Navy plan for 313-ship fleet	Early-2005 Navy plan for fleet of 260-325 ships		2002-2004 Navy plan for 375-ship Navy <sup>a</sup>	2001 QDR plan for 310-ship Navy
							260-ships	325-ships		
Ballistic missile submarines (SSBNs)	12 <sup>b</sup>	12 <sup>b</sup>	12-14 <sup>b</sup>	12 <sup>b</sup>	12 <sup>b</sup>	14	14	14	14	14
Cruise missile submarines (SSGNs)	0 <sup>c</sup>	0 <sup>c</sup>	0-4 <sup>c</sup>	4 <sup>c</sup>	0 <sup>c</sup>	4	4	4	4	2 or 4 <sup>d</sup>
Attack submarines (SSNs)	48	48	~48	48	48	48	37	41	55	55
Aircraft carriers	11 <sup>e</sup>	11 <sup>e</sup>	11 <sup>e</sup>	11 <sup>e</sup>	11 <sup>e</sup>	11 <sup>f</sup>	10	11	12	12
Cruisers and destroyers	88	88	~90	94	94 <sup>g</sup>	88	67	92	104	116
Frigates	0	0	0	0	0	0	0	0	0	
Littoral Combat Ships (LCSs)	52	52	~55	55	55	55	63	82	56	0
Amphibious ships	34	33	~32	33	33 <sup>h</sup>	31	17	24	37	36
MPF(F) ships <sup>i</sup>	0 <sup>i</sup>	0 <sup>i</sup>	0 <sup>i</sup>	0 <sup>i</sup>	0 <sup>i</sup>	12 <sup>i</sup>	14 <sup>i</sup>	20 <sup>i</sup>	0 <sup>i</sup>	0 <sup>i</sup>
Combat logistics (resupply) ships	29	29	~29	30	30	30	24	26	42	34
Dedicated mine warfare ships	0	0	0	0	0	0	0	0	26 <sup>k</sup>	16
Joint High Speed Vessels (JHSVs)	10 <sup>l</sup>	10 <sup>l</sup>	10 <sup>l</sup>	10 <sup>l</sup>	21 <sup>l</sup>	3	0	0	0	0
Other <sup>m</sup>	24	23	~23	16	24 <sup>n</sup>	17	10	11	25	25
<b>Total battle force ships</b>	<b>308</b>	<b>306</b>	<b>~310-316</b>	<b>313</b>	<b>328</b>	<b>313</b>	<b>260</b>	<b>325</b>	<b>375</b>	<b>310 or 312</b>

**Sources:** Table prepared by CRS based on U.S. Navy data.

**Note:** QDR is Quadrennial Defense Review. The “~” symbol means approximately and signals that the number in question may be refined as a result of the Naval Force Structure Assessment currently in progress.

- Initial composition. Composition was subsequently modified.
- The Navy plans to replace the 14 current Ohio-class SSBNs with a new class of 12 next-generation SSBNs. For further discussion, see CRS Report R41129, *Navy Ohio Replacement (SSBN[X]) Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.

<sup>13</sup> See, for example, Kris Osborn, “Navy Likely to Seek Fleet-Size Increase,” *Scout*, March 7, 2016; Megan Eckstein, “Navy Revising Force Structure Assessment In Light Of Increased Attack Sub, Other Ship Needs,” *USNI News*, February 29, 2016.

<sup>14</sup> See, for example, Connor O'Brien, “Navy Force Size Study Coming This Month, CNO Says,” *Politico* (Defense Whiteboard), September 15, 2016.

- c. Although the Navy plans to continue operating its four SSGNs until they reach retirement age in the late 2020s, the Navy does not plan to replace these ships when they retire. This situation can be expressed in a table like this one with either a 4 or a zero.
- d. The report on the 2001 QDR did not mention a specific figure for SSGNs. The Administration's proposed FY2001 DOD budget requested funding to support the conversion of two available Trident SSBNs into SSGNs, and the retirement of two other Trident SSBNs. Congress, in marking up this request, supported a plan to convert all four available SSBNs into SSGNs.
- e. With congressional approval, the goal has been temporarily reduced to 10 carriers for the period between the retirement of the carrier *Enterprise* (CVN-65) in December 2012 and entry into service of the carrier *Gerald R. Ford* (CVN-78), currently scheduled for September 2015.
- f. For a time, the Navy characterized the goal as 11 carriers in the nearer term, and eventually 12 carriers.
- g. The 94-ship goal was announced by the Navy in an April 2011 report to Congress on naval force structure and missile defense.
- h. The Navy acknowledged that meeting a requirement for being able to lift the assault echelons of 2.0 Marine Expeditionary Brigades (MEBs) would require a minimum of 33 amphibious ships rather than the 31 ships shown in the February 2006 plan. For further discussion, see CRS Report RL34476, *Navy LPD-17 Amphibious Ship Procurement: Background, Issues, and Options for Congress*, by Ronald O'Rourke.
- i. Today's Maritime Prepositioning Force (MPF) ships are intended primarily to support Marine Corps operations ashore, rather than Navy combat operations, and thus are not counted as Navy battle force ships. The planned MPF (Future) ships, however, would have contributed to Navy combat capabilities (for example, by supporting Navy aircraft operations). For this reason, the ships in the planned MPF(F) squadron were counted by the Navy as battle force ships. The planned MPF(F) squadron was subsequently restructured into a different set of initiatives for enhancing the existing MPF squadrons; the Navy no longer plans to acquire an MPF(F) squadron.
- j. The Navy no longer plans to acquire an MPF(F) squadron. The Navy, however, has procured or plans to procure some of the ships that were previously planned for the squadron—specifically, TAKE-I class cargo ships, and Mobile Landing Platform (MLP)/Afloat Forward Staging Base (AFSB) ships. These ships are included in the total shown for "Other" ships.
- k. The figure of 26 dedicated mine warfare ships included 10 ships maintained in a reduced mobilization status called Mobilization Category B. Ships in this status are not readily deployable and thus do not count as battle force ships. The 375-ship proposal thus implied transferring these 10 ships to a higher readiness status.
- l. Totals shown include 5 ships transferred from the Army to the Navy and operated by the Navy primarily for the performance of Army missions.
- m. This category includes, among other things, command ships and support ships.
- n. The increase in this category from 17 ships under the February 2006 313-ship plan to 24 ships under the apparent 328-ship goal included the addition of one TAGOS ocean surveillance ship and the transfer into this category of six ships—three modified TAKE-I class cargo ships, and three Mobile Landing Platform (MLP) ships—that were previously intended for the planned (but now canceled) MPF(F) squadron.

## Navy's Five-Year and 30-Year Shipbuilding Plans

### FY2017-FY2021 Five-Year Shipbuilding Plan

**Table 2** shows the Navy's FY2017-FY2021 five-year shipbuilding plan.

**Table 2. Navy FY2017-FY2021 Five-Year Shipbuilding Plan**

(Battle force ships—i.e., ships that count against 308-ship goal)

Ship type	FY17	FY18	FY19	FY20	FY21	Total
Ohio replacement (SSBNX) ballistic missile submarine					1	1
Ford (CVN-78) class aircraft carrier		1				1
Virginia (SSN-774) class attack submarine	2	2	2	2	1	9
Arleigh Burke (DDG-51) class destroyer	2	2	2	2	2	10
Littoral Combat Ship (LCS)/Frigate	2	1	1	1	2	7
LHA(R) amphibious assault ship	1					1
LX(R) amphibious ship				1		1
Fleet towing, salvage, and rescue ship (TATS)		1	1	1	1	4
TAO-205 (previously TAO[X]) oiler		1	1	1	1	4
<b>TOTAL</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>38</b>

**Source:** Table prepared by CRS based on FY2017 Navy budget submission.

Observations that can be made about the Navy's proposed FY2017 five-year (FY2017-FY2021) shipbuilding plan include the following:

- **Total of 38 ships.** The plan includes a total of 38 ships, compared to a total of 48 ships in the FY2016-FY2020 five-year shipbuilding plan. Most of the 10-ship reduction in the FY2017-FY2021 plan compared to the FY2016-FY2020 plan is due to a reduction in the annual procurement rate for the Littoral Combat Ship (LCS)/Frigate program that was directed by the Secretary of Defense in December 2015. The FY2016-FY2020 plan included a total of 14 LCSs/Frigates, while the new FY2017-FY2021 plan includes a total of 7.
- **Average of 7.6 ships per year.** The plan includes an average of 7.6 battle force ships per year. The steady-state replacement rate for a fleet of 308 ships with an average service life of 35 years is 8.8 ships per year. In light of how the average shipbuilding rate since FY1993 has been substantially below 8.8 ships per year (see **Appendix D**), shipbuilding supporters for some time have wanted to increase the shipbuilding rate to a steady rate of 10 or more battle force ships per year.
- **7 ships in FY2017.** The plan requests funding for 7 new ships in FY2017, compared to the 10 new ships that were projected for FY2017 under the FY2016 budget submission. The three-ship reduction from the projection under the FY2016 budget submission includes a one-ship reduction in the number of LCSs requested for FY2017 and decisions by Congress, in marking up the Navy's FY2016 budget, to accelerate from FY2017 to FY2016 the procurement of a Mobile Landing Platform (MLP)/Afloat Forward Staging Base (AFSB) ship (now called an Expeditionary Mobile Base, or ESB, ship), and to also accelerate from FY2017 to FY2016 the procurement of a fleet towing, salvage, and rescue (TATS) ship.
- **First Ohio replacement submarine in FY2021.** The plan shows the projected procurement of the first Ohio replacement (SSBNX) ballistic missile submarine in FY2021, with advance procurement (AP) funding for this boat beginning in FY2017 and continuing through FY2020. As discussed later in this report, many observers have been concerned about the potential impact of the Ohio

replacement program on the Navy's ability to fund the procurement of the other kinds of ships that it wants to procure.

- **CVN-80 in FY2018.** The CVN-78 class aircraft carrier shown in FY2018 is CVN-80, the third ship in the class. The initial increment of advance procurement (AP) funding for this ship was provided in FY2016. The Navy is requesting an additional increment of advance procurement funding for FY2017. The balance of the ship's procurement cost is to be funded using incremental funding across the six-year period FY2018-FY2023. The fourth ship in the class, CVN-81, is scheduled for procurement in FY2023, with advance procurement (AP) funding scheduled to begin in FY2021.
- **10 Virginia-class attack submarines.** The 10 Virginia-class attack submarines to be procured in FY2014-FY2018 are being procured under a multiyear procurement (MYP) contract.<sup>15</sup> Beginning with the second Virginia-class boat to be procured in FY2019, Virginia-class boats are to be built with an additional ship section called the Virginia Payload Module (VPM) that will substantially increase the boats' weapon capacity.
- **10 DDG-51 destroyers.** The 10 DDG-51 destroyers to be procured in FY2013-FY2017 are being procured under a multiyear procurement (MYP) contract. Beginning with the second of the two DDG-51s procured in FY2016, DDG-51s are to be built to the new Flight III version of the DDG-51 design, which is to carry a new and more capable radar called the Air and Missile Defense Radar (AMDR).
- **7 LCSs/Frigates.** As mentioned earlier, reflecting a December 2015 direction by the Secretary of Defense, the annual procurement rate of LCSs/Frigates has been reduced. As a consequence, the FY2017-FY2021 five-year shipbuilding plan includes a total of 7 LCSs/Frigates, compared to 14 LCSs/Frigates in the FY2016-FY2020 five-year shipbuilding plan.
- **LHA-8 amphibious assault ship in FY2017.** The Navy wants to procure an amphibious assault ship called LHA-8 in FY2017, using split funding (i.e., two-year incremental funding) in FY2017 and FY2018.
- **First LX(R) amphibious ship in FY2020.** The Navy wants to procure the first of a new class of amphibious ships, called the LX(R) class, in FY2020. Congress, as part of its action on the Navy's FY2016 budget, provided additional funding to accelerate the production schedule for this ship. The Navy has testified that, as a result of this funding, even though the ship is still shown in the FY2020 column, the Navy will now be able to accelerate the construction schedule of the ship to something more consistent with a ship procured in FY2019.
- **TATS towing, salvage, and rescue ship.** As mentioned above, Congress, as part of its action on the Navy's FY2016 budget, accelerated the procurement of the first TATS ship from FY2017 to FY2016.
- **TAO-205 (previously TAO[X]) class oiler.** The first ship in the TAO-205 class oiler (previously TAO[X]) program was funded in FY2016.

<sup>15</sup> For more on MYP contracting, see CRS Report R41909, *Multiyear Procurement (MYP) and Block Buy Contracting in Defense Acquisition: Background and Issues for Congress*, by Ronald O'Rourke and Moshe Schwartz.



## FY2017-FY2046 30-Year Shipbuilding Plan

**Table 3** shows the Navy's FY2017-FY2046 30-year shipbuilding plan.<sup>16</sup> In devising a 30-year shipbuilding plan to move the Navy toward its ship force-structure goal, key assumptions and planning factors include but are not limited to ship construction times and service lives, estimated ship procurement costs, projected shipbuilding funding levels, and industrial-base considerations.

**Table 3. Navy FY2017-FY2046 30-Year Shipbuilding Plan**

FY	CVN	LSC	SSC	SSN	SSBN	AWS	CLF	Supt	Total
17		2	2	2		1			7
18	1	2	1	2			1	1	8
19		2	1	2			1	1	7
20		2	1	2		1	1	1	8
21		2	2	1	1		1	1	8
22		2	2	2		1	1	2	10
23	1	2	2	2		1	1	2	11
24		2	2	1	1	2	1	2	11
25		2	1	2		1	1	2	9
26		2		1	1	1	1	1	7
27		2		1	1	1	1	1	7
28	1	2		1	1	2	1		8
29		2	1	1	1	1	1	1	8
30		2		1	1	1	1	2	8
31		2	1	1	1	1	1	2	9
32		2	1	1	1	1	1	2	9
33	1	2	1	1	1		1	2	9
34		2	2	1	1			1	7
35		2	2	1	1				6
36		2	2	2		1			7
37		2	3	2					7
38	1	3	4	2					10
39		3	4	2					9
40		3	4	1		2			10
41		2	4	2					8
42		3	4	1		1			9
43	1	2	2	2			1		8
44		3	3	1		2			9
45		2	3	2		1	2		10
46		3	3	1		1	2		10
<b>Total</b>	<b>6</b>	<b>66</b>	<b>58</b>	<b>44</b>	<b>12</b>	<b>23</b>	<b>21</b>	<b>24</b>	<b>254</b>

**Source:** Table prepared by CRS based on Navy's FY2017-FY2046 30-year shipbuilding plan.

**Key:** **FY** = Fiscal Year; **CVN** = aircraft carriers; **LSC** = surface combatants (i.e., cruisers and destroyers); **SSC** = small surface combatants (i.e., Littoral Combat Ships [LCSs]); **SSN** = attack submarines; **SSGN** = cruise missile submarines; **SSBN** = ballistic missile submarines; **AWS** = amphibious warfare ships; **CLF** = combat logistics force (i.e., resupply) ships; **Supt** = support ships.

<sup>16</sup> *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2017*, April 2016, 14 pp., posted at *Politico Pro* (subscription required) on May 6, 2016, and at *USNI News* on May 9, 2016.



## Navy's Projected Force Levels Under 30-Year Shipbuilding Plan

**Table 4** shows a projection of ship force levels for FY2017-FY2046 that would result from implementing the FY2017-FY2046 30-year shipbuilding plan shown in **Table 3**.

**Table 4. Projected Force Levels Resulting from FY2017-FY2046 30-Year Shipbuilding Plan**

	CVN	LSC	SSC	SSN	SSGN	SSBN	AWS	CLF	Supt	Total
<b>308 ship plan</b>	<b>11</b>	<b>88</b>	<b>52</b>	<b>48</b>	<b>0</b>	<b>12</b>	<b>34</b>	<b>29</b>	<b>34</b>	<b>308</b>
<b>FY17</b>	11	90	25	52	4	14	32	29	30	<b>287</b>
<b>FY18</b>	11	91	29	53	4	14	32	29	32	<b>295</b>
<b>FY19</b>	11	94	32	52	4	14	33	29	31	<b>300</b>
<b>FY20</b>	11	95	33	52	4	14	33	29	35	<b>306</b>
<b>FY21</b>	11	97	34	51	4	14	33	30	34	<b>308</b>
<b>FY22</b>	12	98	35	48	4	14	34	30	35	<b>310</b>
<b>FY23</b>	12	99	31	49	4	14	34	30	36	<b>309</b>
<b>FY24</b>	12	100	31	48	4	14	35	30	37	<b>311</b>
<b>FY25</b>	11	100	32	47	4	14	36	30	39	<b>313</b>
<b>FY26</b>	11	99	35	45	2	14	36	30	37	<b>309</b>
<b>FY27</b>	11	99	37	44	1	13	36	30	38	<b>309</b>
<b>FY28</b>	11	100	39	42		13	37	30	38	<b>310</b>
<b>FY29</b>	11	98	40	41		12	37	30	38	<b>307</b>
<b>FY30</b>	11	95	40	42		11	37	30	38	<b>304</b>
<b>FY31</b>	11	91	40	43		11	37	30	36	<b>299</b>
<b>FY32</b>	11	89	40	43		10	37	30	37	<b>297</b>
<b>FY33</b>	11	88	40	44		10	38	30	37	<b>298</b>
<b>FY34</b>	11	86	40	45		10	37	30	37	<b>296</b>
<b>FY35</b>	11	86	40	46		10	35	30	38	<b>296</b>
<b>FY36</b>	11	86	41	47		10	35	29	38	<b>297</b>
<b>FY37</b>	11	87	41	48		10	35	29	37	<b>298</b>
<b>FY38</b>	11	88	42	47		10	34	29	35	<b>296</b>
<b>FY39</b>	11	89	44	47		10	34	29	33	<b>297</b>
<b>FY40</b>	10	88	45	47		10	33	29	32	<b>294</b>
<b>FY41</b>	10	87	43	47		11	34	29	32	<b>293</b>
<b>FY42</b>	10	84	43	49		12	33	29	32	<b>292</b>
<b>FY43</b>	10	83	43	49		12	32	29	32	<b>290</b>
<b>FY44</b>	10	82	43	50		12	32	29	32	<b>290</b>
<b>FY45</b>	10	82	45	50		12	33	29	32	<b>293</b>
<b>FY46</b>	10	80	45	51		12	33	29	32	<b>292</b>

**Source:** Table prepared by CRS based on Navy's FY2017-FY2046 30-year shipbuilding plan.

**Note:** Figures for support ships include five JHSV's transferred from the Army to the Navy and operated by the Navy primarily for the performance of Army missions.

**Key:** **FY** = Fiscal Year; **CVN** = aircraft carriers; **LSC** = surface combatants (i.e., cruisers and destroyers); **SSC** = small surface combatants (i.e., frigates, Littoral Combat Ships [LCSs], and mine warfare ships); **SSN** = attack submarines; **SSGN** = cruise missile submarines; **SSBN** = ballistic missile submarines; **AWS** = amphibious warfare ships; **CLF** = combat logistics force (i.e., resupply) ships; **Supt** = support ships.

Observations that can be made about the Navy's FY2016 30-year (FY2016-FY2045) shipbuilding plan and resulting projected force levels included the following:

- **Total of 254 ships; average of about 8.5 per year.** The plan includes a total of 264 ships to be procured—10 fewer than the 264 included in last year's FY2016-FY2045 shipbuilding plan. Much of the net 10-ship reduction compared to the FY2016-FY2045 30-year plan can be accounted for by the Secretary of Defense's direction to reduce the LCS/Frigate program from 52 ships to 40 ships. The total of 254 ships equates to an average of about 8.5 ships per year, which is equal to the average procurement rate (sometimes called the steady-state replacement rate) of 8.8 ships per year that would be needed over the long run to achieve and maintain a fleet of 308 ships, assuming an average life of 35 years for Navy ships.
- **Projected shortfalls in attack submarines, large surface combatants, small surface combatants, and amphibious ships.** The FY2017-FY2046 30-year shipbuilding plan, like many previous Navy 30-year shipbuilding plans, does not include enough ships to fully support all elements of the Navy's 308-ship goal over the entire 30-year period. In particular, the Navy projects that the fleet would experience:
  - a shortfall in large surface combatants (i.e., cruisers and destroyers) from FY2034 through FY2037, and from FY2041 through at least FY2046;
  - a shortfall in small surface combatants (i.e., LCSs and frigates) for the entire 30-year period;
  - a shortfall in attack submarines from FY2025 through FY2036; and
  - a shortfall in amphibious ships from FY2017 through FY2021, in FY2040, and from FY2042 through at least FY2046.

The 30-year duration of the shortfall in small surface combatants appears principally due to the December 2015 direction from the Secretary of Defense to reduce the LCS/Frigate program from 52 ships to 40 ships.<sup>17</sup>

- **Ballistic missile submarine force to be reduced temporarily to 10 or 11 boats.** As a result of a decision in the FY2013 budget to defer the scheduled procurement of the first Ohio replacement (SSBN[X]) ballistic missile submarine by two years, from FY2019 to FY2021, the ballistic missile submarine force is projected to drop to a total of 10 or 11 boats—one or two boats below the 12-boat SSBN force-level goal—during the period FY2029-FY2041. The Navy says this reduction is acceptable for meeting current strategic nuclear deterrence mission requirements, because none of the 10 or 11 boats during these years will be encumbered by long-term maintenance.<sup>18</sup>

## Comparison of First 10 Years of 30-Year Plans

**Table 5** and **Table 6** below show the first 10 years of planned annual ship procurement quantities and projected Navy force sizes in 30-year shipbuilding plans dating back to the first such plan,

<sup>17</sup> See also Sydney J. Freedberg Jr., "LCS Cut Ripples Through Navy's New 30-Year Shipbuilding Plan," *Breaking Defense*, March 14, 2016.

<sup>18</sup> For further discussion of this issue, see CRS Report R41129, *Navy Ohio Replacement (SSBN[X]) Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.

which was submitted in 2000 in conjunction with the FY2001 budget. By reading vertically down each column, one can see how the ship procurement quantity or Navy force size projected for a given fiscal year changed as that year drew closer to becoming the current budget year.

**Table 5. Ship Procurement Quantities in First 10 Years of 30-Year Shipbuilding Plans**

Years shown are fiscal years

FY of 30-year plan (year submitted)	0 1	0 2	0 3	0 4	0 5	06	0 7	0 8	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
FY01 plan (2000)	8	8	8	8	7	5	6	6	6	7																
FY02 plan (2001)		6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a															
FY03 plan (2002)			5	5	7	7	11	n/a	n/a	n/a	n/a	n/a														
FY04 plan (2003)				7	8	7	7	9	14	15	13	14	15													
FY05 plan (2004)					9	6	8	9	17	14	15	14	16	15												
FY06 plan (2005)						4	7	7	9	10	12	n/a	n/a	n/a	n/a											
FY07 plan (2006)							7	7	11	12	14	13	12	11	11	10										
FY08 plan (2007)								7	11	12	13	12	12	10	12	11	6									
FY09 plan (2008)									7	8	8	12	12	13	13	12	12	13								
FY10 plan (2009)										8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a						
FY11 plan (2010)											9	8	12	9	12	9	12	9	13	9						
FY12 plan (2011)												10	13	11	12	9	12	10	12	8	9					
FY13 plan (2012)													10	7	8	9	7	11	8	12	9	12				
FY14 plan (2013)														8	8	7	9	9	10	10	10	11	14			
FY15 plan (2014)															7	8	11	10	8	11	8	11	11	13		
FY16 plan (2015)																9	10	10	9	10	9	11	13	12	10	
FY17 plan (2016)																	7	8	7	8	8	10	11	11	9	7

**Source:** Navy 30-year shipbuilding plans supplemented by annual Navy budget submissions (including 5-year shipbuilding plans) for fiscal years shown. **n/a** means not available—see notes below.

**Notes:** The FY2001 30-year plan submitted in 2000 was submitted under a one-time-only legislative provision, Section 1013 of the FY2000 National Defense Authorization Act (S. 1059/P.L. 106-65 of October 5, 1999). No provision required DOD to submit a 30-year shipbuilding plan in 2001 or 2002, when Congress considered DOD's proposed FY2002 and FY2003 DOD budgets. (In addition, no FYDP was submitted in 2001, the first year of the George W. Bush Administration.) Section 1022 of the FY2003 Bob Stump National Defense Authorization Act (H.R. 4546/P.L. 107-314 of December 2, 2002) created a requirement to submit a 30-year

shipbuilding plan each year, in conjunction with each year's defense budget. This provision was codified at 10 U.S.C. 231. The first 30-year plan submitted under this provision was the one submitted in 2003, in conjunction with the proposed FY2004 DOD budget. For the next several years, 30-year shipbuilding plans were submitted each year, in conjunction with each year's proposed DOD budget. An exception occurred in 2009, the first year of the Obama Administration, when DOD submitted a proposed budget for FY2010 with no accompanying FYDP or 30-year Navy shipbuilding plan. Section 1023 of the FY2011 Ike Skelton National Defense Authorization Act (H.R. 6523/P.L. 111-383 of January 7, 2011) amended 10 U.S.C. 231 to require DOD to submit a 30-year shipbuilding plan once every four years, in the same year that DOD submits a Quadrennial Defense Review (QDR). Consistent with Section 1023, DOD did not submit a new 30-year shipbuilding plan at the time that it submitted the proposed FY2012 DOD budget. At the request of the House Armed Services Committee, the Navy submitted the FY2012 30-year (FY2012-FY2041) shipbuilding plan in late-May 2011. Section 1011 of the FY2012 National Defense Authorization Act (H.R. 1540/P.L. 112-81 of December 31, 2011) amended 10 U.S.C. 231 to reinstate the requirement to submit a 30-year shipbuilding plan each year, in conjunction with each year's defense budget.

**Table 6. Projected Navy Force Sizes in First 10 Years of 30-Year Shipbuilding Plans**

Years shown are fiscal years

FY of 30-year plan (year submitted)	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
FY01 plan (2000)	316	315	313	313	313	311	311	304	305	305																
FY02 plan (2001)		316	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a															
FY03 plan (2002)			314	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a														
FY04 plan (2003)				292	292	291	296	301	305	308	313	317	321													
FY05 plan (2004)					290	290	298	303	308	307	314	320	328	326												
FY06 plan (2005)						289	293	297	301	301	306	n/a	n/a	305	n/a											
FY07 plan (2006)							285	294	299	301	306	315	317	315	314	317										
FY08 plan (2007)								286	289	293	302	310	311	307	311	314	322									
FY09 plan (2008)									286	287	289	290	293	287	288	291	301	309								
FY10 plan (2009)										287	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a							
FY11 plan (2010)											284	287	287	285	285	292	298	305	311	315						
FY12 plan (2011)												290	287	286	286	297	301	311	316	322	324					
FY13 plan (2012)													285	279	276	284	285	292	300	295	296	298				
FY14 plan (2013)														282	270	280	283	291	300	295	296	297	297			
FY15 plan (2014)															274	280	286	295	301	304	304	306	311	313		
FY16 plan (2015)																282	284	294	300	304	306	309	310	315	317	
FY17 plan (2016)																	287	295	300	306	308	310	309	311	313	309

**Source:** Navy 30-year shipbuilding plans supplemented by annual Navy budget submissions (including 5-year shipbuilding plans) for fiscal years shown. **n/a** means not available—see notes below.

**Notes:** The FY2001 30-year plan submitted in 2000 was submitted under a one-time-only legislative provision, Section 1013 of the FY2000 National Defense Authorization Act (S. 1059/P.L. 106-65 of October 5, 1999). No provision required DOD to submit a 30-year shipbuilding plan in 2001 or 2002, when Congress considered DOD's proposed FY2002 and FY2003 DOD budgets. Section 1022 of the FY2003 Bob Stump National Defense Authorization Act (H.R. 4546/P.L. 107-314 of December 2, 2002) created a requirement to submit a 30-year shipbuilding plan each year, in conjunction with each year's defense budget. This provision was codified at

10 U.S.C. 231. The first 30-year plan submitted under this provision was the one submitted in 2003, in conjunction with the proposed FY2004 DOD budget. For the next several years, 30-year shipbuilding plans were submitted each year, in conjunction with each year's proposed DOD budget. An exception occurred in 2009, the first year of the Obama Administration, when DOD submitted a proposed budget for FY2010 with no accompanying FYDP or 30-year Navy shipbuilding plan. The FY2006 plan included data for only selected years beyond FY2011. Section 1023 of the FY2011 Ike Skelton National Defense Authorization Act (H.R. 6523/P.L. 111-383 of January 7, 2011) amended 10 U.S.C. 231 to require DOD to submit a 30-year shipbuilding plan once every four years, in the same year that DOD submits a Quadrennial Defense Review (QDR). Consistent with Section 1023, DOD did not submit a new 30-year shipbuilding plan at the time that it submitted the proposed FY2012 DOD budget. At the request of the House Armed Services Committee, the Navy submitted the FY2012 30-year (FY2012-FY2041) shipbuilding plan in late-May 2011. Section 1011 of the FY2012 National Defense Authorization Act (H.R. 1540/P.L. 112-81 of December 31, 2011) amended 10 U.S.C. 231 to reinstate the requirement to submit a 30-year shipbuilding plan each year, in conjunction with each year's defense budget.



## Issues for Congress for FY2017

### Potential Impact of Continuing Resolution (CR) for Part of FY2017

One issue for Congress concerns the potential impact on FY2017 shipbuilding programs of using a continuing resolution (CR) to fund DOD programs for the first several weeks of FY2017. CRs can lead to challenges in program execution because they typically prohibit the following:

- new program starts (“new starts”), meaning the initiation of new program efforts that did not exist in the prior year;
- an increase in procurement quantity for a program compared to that program’s procurement quantity in the prior year; and
- the signing of new multiyear procurement (MYP) contracts.<sup>19</sup>

In addition, the Navy’s shipbuilding account, known formally as the Shipbuilding and Conversion, Navy (SCN) appropriation account, is written in the annual DOD appropriations act not just with a total appropriated amount for the entire account (like other DOD acquisition accounts), but also with specific appropriated amounts at the line-item level. As a consequence, under a CR (which is typically based on the prior year’s appropriations act), SCN funding is managed not at the account level (like it is under a CR for other DOD acquisition accounts), but at the line-item level. For the SCN account—uniquely among DOD acquisition accounts—this can lead to line-by-line misalignments (excesses and shortfalls) in funding for SCN-funded programs, compared to the amounts those programs received in the prior year. The shortfalls in particular can lead to program-execution challenges under an extended or full-year CR.

In addition to the above impacts, a CR might also require the agency (in this case, the Navy) to divide a contract action into multiple actions, which can increase the total cost of the effort by reducing economies of scale and increasing administrative costs.

The potential impacts described above can be avoided or mitigated if the CR includes special provisions (called anomalies) for exempting individual programs or groups of programs from the general provisions of the CR, or if the CR includes expanded authorities for DOD for reprogramming and transferring funds.

### FY2017 Shipbuilding Funding Requests

One issue for Congress is whether to approve, reject, or modify the Navy’s FY2017 funding requests for its various shipbuilding programs. In assessing this question, Congress may consider various factors, including whether the Navy has accurately priced the work to be funded in FY2017. Among many specific issues for Congress to assess are the following, some of which are discussed in more detail in CRS reports that cover individual shipbuilding programs:

- whether to provide advance procurement (AP) funding in FY2017 for the purchase of materials for the aircraft carrier CVN-81, so as to enable a combined purchase of materials for the aircraft carriers CVN-80 and CVN-81 (the Navy’s proposed FY2017 budget does not request any AP funding for the procurement of materials for CVN-81);

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<sup>19</sup> For more on MYP contracts, see CRS Report R41909, *Multiyear Procurement (MYP) and Block Buy Contracting in Defense Acquisition: Background and Issues for Congress*, by Ronald O’Rourke and Moshe Schwartz.

- whether to provide any advance procurement (AP) funding in FY2017 to help support the procurement of an additional Virginia-class submarine in FY2021, which could help mitigate the projected attack submarine shortfall (no such FY2017 funding is requested);
- whether to provide some or all of the \$433 million in unrequested procurement funding that is needed to complete the funding for an additional DDG-51 destroyer that was partially funded with \$1 billion in FY2016 (this is the number 2 item on the Navy's FY2017 Unfunded Requirements List, or URL);
- whether to provide any additional research and development funding and/or additional advance procurement (AP) funding for the program in FY2017 to help accelerate the procurement of the first LX(R) amphibious ship from FY2020 to an earlier year, so as to reduce the gap in time between the end of LPD-17 amphibious ship production and the start of LX(R) production;
- whether to accelerate the procurement of the second TAO-205 class oiler from FY2018 to FY2017, with all, or at least most, of the ship's roughly \$600 million procurement cost provided in FY2017;
- whether to provide additional advance procurement funding for the TAO-205 program in FY2017 to finance economic order quantity (EOQ) purchases (i.e., up-front batch purchases) of components for the first six TAO-205s, so as to reduce the cost of the six ships;
- whether to provide the \$75 million in unrequested funding that would be needed to accelerate the procurement of the second TATS towing, salvage, and rescue ship from FY2018 to FY2017 (this is the number 31 item on the Navy's FY2017 Unfunded Requirements List);
- whether to provide the roughly \$225 million in unrequested funding that would be needed to procure an additional Joint High Speed Vessel (JHSV—now called Expeditionary Fast Transport [EPF])—the Navy has a requirement for 10 of these ships, but in earlier years had a requirement for 16 or more; Congress funded an 11<sup>th</sup> JHSV in FY2015 and a 12<sup>th</sup> JHSV in FY2016;
- whether to provide \$165 million to procure three additional Ship-to-Shore Connectors (SSCs) (i.e., next-generation air cushioned landing craft) (this is the number 20 item on the Navy's FY2017 URL); and
- whether to provide \$22 million to procure one LCU 1700 class landing craft (this is the number 21 item on the navy's FY2017 URL)

## **Cruiser Modernization**

Another issue for Congress is whether to approve, reject, or modify a proposal in the Navy's FY2017 budget concerning the modernization of 11 of the Navy's 22 existing Aegis cruisers. Congress in recent years has pushed back against Navy proposals for operating and modernizing these ships. When the Navy in an earlier budget submission proposed retiring seven of the ships years before the end of their service lives, Congress rejected the proposal. When the Navy in a subsequent budget submission proposed taking 11 of the 22 ships temporarily out of service for modernization, and then returning them to service years later as one-for-one replacements for the other 11 ships in the class, Congress modified the Navy's proposed schedule. In its proposed

FY2017 budget, the Navy is once again asking to modernize the 11 ships along the Navy's preferred schedule, rather than the modified schedule directed by Congress.<sup>20</sup>

## **Proposed Deactivation of Carrier Air Wing**

Another issue for Congress is whether to approve, reject, or modify the Navy's proposal in its FY2017 budget submission to deactivate one of the Navy's 10 carrier air wings. This issue is discussed in detail in CRS Report RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke.

## **New Force Structure Assessment (FSA)**

Another potential issue for Congress is how to respond to the results of the new Force Structure Assessment (FSA) that the Navy is currently conducting. As mentioned earlier, Navy officials in early 2016 have testified that in light of recent changes in the international security environment, the Navy has launched a new FSA that it hopes to complete by summer 2016. Some observers believe this new FSA will result in an increase in the Navy's force-level goal to a figure higher than 308 ships, in part because it might call for an increased Navy forward-deployed presence in the Mediterranean, a region that was deemphasized as a Navy forward-deployed operating area during the post-Cold War era.<sup>21</sup> (See also the section below entitled "Appropriate Future Size and Structure of Navy in Light of Strategic and Budgetary Changes.")

## **Potential Impact on Size and Capability of Navy of Limiting DOD Spending to BCA Caps Through FY2021**

Another issue for Congress concerns the potential impact on the size and capability of the Navy of limiting DOD spending through FY2021 to levels at or near the caps established in the Budget Control Act of 2011 (BCA) as amended. Navy officials state that limiting DOD's budget to such levels would lead to a smaller and less capable Navy that would not be capable of fully executing all the missions assigned to it under the defense strategic guidance document of 2012.

## **January 2015 Navy Testimony**

In testimony on this issue to the Senate Armed Services Committee on January 28, 2015, then-Chief of Naval Operations Admiral Jonathan Greenert stated:

A return to sequestration in FY 2016 would necessitate a revisit and revision of the DSG [Defense Strategic Guidance document of January 2012]. Required cuts will force us to further delay critical warfighting capabilities, reduce readiness of forces needed for contingency response, forego or stretch procurement of ships and submarines, and further downsize weapons capability. We will be unable to mitigate the shortfalls like we did in FY2013 [in response to the sequester of March 1, 2013] because [unobligated] prior-year

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<sup>20</sup> For further discussion, see Michael Fabey, "Air Defense Concerns Drive U.S. Navy's Cruiser Plan," *Aerospace Daily & Defense Report*, February 15, 2016: 3; Megan Eckstein, "WEST: Navy Wants Congressional Mandate Preventing Decommissioning Modernized Cruisers," *USNI News*, February 17, 2016; Connor O'Brien, "Overturning Navy Cruiser Plan Would Cost \$3 Billion, Admiral Warns," *Politico*, March 17, 2016.

<sup>21</sup> See, for example, Kris Osborn, "Navy Likely to Seek Fleet-Size Increase," *Scout*, March 7, 2016; Megan Eckstein, "Navy Revising Force Structure Assessment In Light Of Increased Attack Sub, Other Ship Needs," *USNI News*, February 29, 2016.

investment balances [which were included in the funds subject to the sequester] were depleted under [the] FY 2013 sequester [of March 1, 2013].

The revised discretionary caps imposed by sequestration would be a reduction of about \$10 billion in our FY 2016 budget alone, as compared to PB-2015. From FY 2016-2020, the reduction would amount to approximately \$36 billion. If forced to budget at this level, it would reduce every appropriation, inducing deep cuts to Navy Operation and Maintenance (O&M), investment, and modernization accounts. The Research, Development, Test and Evaluation (RDT&E) accounts would likely experience a significant decline across the FYDP, severely curtailing the Navy's ability to develop new technologies and asymmetric capabilities.

As I testified to this committee in November 2013, any scenario to address the fiscal constraints of the revised discretionary caps must include sufficient readiness, capability and manpower to complement the force structure capacity of ships and aircraft. This balance would need to be maintained to ensure each unit will be effective, even if the overall fleet is not able to execute the DSG. There are many ways to balance between force structure, readiness, capability, and manpower, but none that Navy has calculated that enable us to confidently execute the current defense strategy within dictated budget constraints.

As detailed in the Department of Defense's April 2014 report, "Estimated Impacts of Sequestration-Level Funding," one potential fiscal and programmatic scenario would result in a Navy of 2020 that would be unable to execute two of the ten DSG missions due to the compounding effects of sequestration on top of pre-existing FY 2013, 2014, and 2015 resource constraints. Specifically, the cuts would render us unable to sufficiently Project Power Despite Anti-Access/Area Denial Challenges and unable to Deter and Defeat Aggression. In addition, we would be forced to accept higher risk in five other DSG missions: Counter Terrorism and Irregular Warfare; Defend the Homeland and Provide Support to Civil Authorities; Provide a Stabilizing Presence; Conduct Stability and Counterinsurgency Operations; and Conduct Humanitarian, Disaster Relief, and Other Operations. (Table 2 provides more detail on mission risks.) In short, a return to sequestration in FY 2016 will require a revision of our defense strategy.

Critical assumptions I have used to base my assessments and calculate risk:

- ☐ Navy must maintain a credible, modern, and survivable sea-based strategic deterrent
- ☐ Navy must man its units
- ☐ Units that deploy must be ready
- ☐ People must be given adequate training and support services
- ☐ Readiness for deployed forces is a higher priority than contingency response forces
- ☐ Capability must be protected, even at the expense of some capacity
- ☐ Modernized and asymmetric capabilities (advanced weapons, cyber, electronic warfare) are essential to projecting power against evolving, sophisticated adversaries
- ☐ The maritime industrial base is fragile—damage can be long-lasting, hard to reverse

The primary benchmarks I use to gauge Navy capability and capacity are DoD Global Force Management Allocation Plan presence requirements, Combatant Commander Operation and Contingency Plans, and Defense Planning Guidance Scenarios. Navy's ability to execute DSG missions is assessed based on capabilities and capacity resident in the force in 2020.

The following section describes specific sequestration impacts to presence and readiness, force structure investments, and personnel under this fiscal and programmatic scenario:

### Presence and Readiness

A return to sequestration would reduce our ability to deploy forces on the timeline required by Global Combatant Commands in the event of a contingency. Of the Navy's current battle force, we maintain roughly 100 ships forward deployed, or 1/3 of our entire Navy. Included among the 100 ships are two CSG and two ARG forward at all times. CSGs and ARGs deliver a significant portion of our striking power, and we are committed to keeping, on average, three additional CSGs and three additional ARGs in a contingency response status, ready to deploy within 30 days to meet operation plans (OPLANs). However, if sequestered, we will prioritize the readiness of forces forward deployed at the expense of those in a contingency response status. We cannot do both. We will only be able to provide a response force of one CSG and one ARG. Our current OPLANs require a significantly more ready force than this reduced surge capacity could provide, because they are predicated on our ability to respond rapidly. Less contingency response capacity can mean higher casualties as wars are prolonged by the slow arrival of naval forces into a combat zone. Without the ability to respond rapidly enough, our forces could arrive too late to affect the outcome of a fight.

Our PB-2015 base budget funded ship and aviation depot maintenance to about 80 percent of the requirement in FY 2016-2019. This is insufficient in maintaining the Fleet and has forced us to rely upon Overseas Contingency Operations (OCO) funding to address the shortfall. Sequestration would further aggravate existing Navy backlogs. The impacts of these growing backlogs may not be immediately apparent, but will result in greater funding needs in the future to make up for the shortfalls each year and potentially more material casualty reports (CASREPs), impacting operations. For aviation depot maintenance, the growing backlog will result in more aircraft awaiting maintenance and fewer operational aircraft on the flight line, which would create untenable scenarios in which squadrons would only get their full complement of aircraft just prior to deployment. The situation will lead to less proficient aircrews, decreased combat effectiveness of naval air forces, and increased potential for flight and ground mishaps.

Critical to mission success, our shore infrastructure provides the platforms from which our Sailors train and prepare. However, due the shortfalls over the last three years, we have been compelled to reduce funding in shore readiness since FY 2013 to preserve the operational readiness of our fleet. As a result, many of our shore facilities are degrading. At sequestration levels, this risk will be exacerbated and the condition of our shore infrastructure, including piers, runways, and mission-critical facilities, will further erode. This situation may lead to structural damage to our ships while pierside, aircraft damage from foreign object ingestion on deteriorated runways, and degraded communications within command centers. We run a greater risk of mishaps, serious injury, or health hazards to personnel.

### Force Structure Investments

We must ensure that the Navy has the required capabilities to be effective, even if we cannot afford them in sufficient capacity to meet the DSG. The military requirements laid out in the DSG are benchmarked to the year 2020, but I am responsible for building and maintaining capabilities now for the Navy of the future. While sequestration causes significant near-term impacts, it would also create serious problems that would manifest themselves after 2020 and would be difficult to recover from.

In the near term, the magnitude of the sequester cuts would compel us to consider reducing major maritime and air acquisition programs; delaying asymmetric capabilities such as advanced jammers, sensors, and weapons; further reducing weapons procurement of missiles, torpedoes, and bombs; and further deferring shore infrastructure maintenance and upgrades. Because of its irreversibility, force structure cuts represent options of last resort for the Navy. We would look elsewhere to absorb sequestration shortfalls to the greatest extent possible.

Disruptions in naval ship design and construction plans are significant because of the long-lead time, specialized skills, and extent of integration needed to build military ships. Because ship construction can span up to nine years, program procurement cancelled in FY 2016 will not be felt by the Combatant Commanders until several years later when the size of the battle force begins to shrink as those ships are not delivered to the fleet at the planned time. Likewise, cancelled procurement in FY 2016 will likely cause some suppliers and vendors of our shipbuilding industrial base to close their businesses. This skilled, experienced and innovative workforce cannot be easily replaced and it could take years to recover from layoffs and shutdowns; and even longer if critical infrastructure is lost. Stability and predictability are critical to the health and sustainment of this vital sector of our Nation's industrial capacity.

#### Personnel

In FY 2013 and 2014, the President exempted all military personnel accounts from sequestration out of national interest to safeguard the resources necessary to compensate the men and women serving to defend our Nation and to maintain the force levels required for national security. It was recognized that this action triggered a higher reduction in non-military personnel accounts.

If the President again exempts military personnel accounts from sequestration in FY 2016, then personnel compensation would continue to be protected. Overall, the Navy would protect personnel programs to the extent possible in order to retain the best people. As I testified in March 2014, quality of life is a critical component of the quality of service that we provide to our Sailors. Our Sailors are our most important asset and we must invest appropriately to keep a high caliber all-volunteer force. We will continue to fund Sailor support, family readiness, and education programs. While there may be some reductions to these programs if sequestered in FY 2016, I anticipate the reductions to be relatively small. However, as before, this would necessitate higher reductions to the other Navy accounts.

#### Conclusion

Navy is still recovering from the FY 2013 sequestration in terms of maintenance, training, and deployment lengths. Only 1/3 of Navy contingency response forces are ready to deploy within the required 30 days. With stable and consistent budgets, recovery is possible in 2018. However, if sequestered, we will not recover within this FYDP.

For the last three years, the Navy has been operating under reduced top-lines and significant shortfalls: \$9 billion in FY 2013, \$5 billion in FY 2014 and \$11 billion in FY 2015, for a total shortfall of about \$25 billion less than the President's budget request. Reverting to revised sequester-level BCA caps would constitute an additional \$5-10 billion decrement each year to Navy's budget. With each year of sequestration, the loss of force structure, readiness, and future investments would cause our options to become increasingly constrained and drastic. The Navy already shrank 23 ships and 63,000 personnel between 2002 and 2012. It has few options left to find more efficiencies.

While Navy will do its part to help the Nation get its fiscal house in order, it is imperative we do so in a coherent and thoughtful manner to ensure appropriate readiness, warfighting capability, and forward presence—the attributes we depend upon for our Navy. Unless naval forces are properly sized, modernized at the right pace, ready to deploy with adequate training and equipment, and capable to respond in the numbers and at the speed required by Combatant Commanders, they will not be able to carry out the Nation's defense strategy as written. We will be compelled to go to fewer places, and do fewer things. Most importantly, when facing major contingencies, our ability to fight and win will neither be quick nor decisive.

Unless this Nation envisions a significantly diminished global security role for its military, we must address the growing mismatch in ends, ways, and means. The world is



becoming more complex, uncertain, and turbulent. Our adversaries' capabilities are diversifying and expanding. Naval forces are more important than ever in building global security, projecting power, deterring foes, and rapidly responding to crises that affect our national security. A return to sequestration would seriously weaken the United States Navy's ability to contribute to U.S. and global security.<sup>22</sup>

Greenert's testimony concluded with the following table:

**Figure 1. Navy Table on Mission Impacts of Limiting Navy's Budget to BC Levels**

Mission Impacts to a Sequestered Navy		
Quadrennial Defense Review Objectives	Defense Strategic Guidance Missions	Navy Ability to Execute
Project Power and Win Decisively	Project power against a technologically capable adversary	Major challenges to achieve warfighting objectives in denied areas: • Inadequate power projection capacity • Too few strike fighter, command/control, electronic warfare assets • Limited advanced radar and missile capacity • Insufficient munitions
	Execute large-scale ops in one region, deter another adversary's aggression elsewhere	Limited ready capacity to execute two simultaneous large scale ops: • 2/3 of required contingency response force (2 of 3 Carrier Strike Groups and 2 of 3 Amphibious Readiness Groups) not ready to deploy within 30 days
	Conduct limited counterinsurgency and other stability operations	Increased risk due to: • Reduced funding to Navy Expeditionary Combat Command • Reduced ISR capacity (especially tactical rotary wing drones)
	Operate effectively in space and cyber space	This mission is fully executable in a sequestered environment • Navy continues to prioritize cyber capabilities
Protect the Homeland	Conduct globally-distributed counter terrorism and irregular warfare operations	Increased risk due to: • Fewer sea base options and less ISR capacity (drones) • Reduced funding to Navy Expeditionary Combat Command
	Conduct humanitarian assistance and disaster relief	Increased risk due to: • Reduction in operations, maintenance, and flying hour accounts
	Defend the Homeland and provide support to civil authorities	Increased risk due to: • Reduction in operations, maintenance, and flying hour accounts
	Maintain a safe, secure, effective nuclear deterrent	This mission is fully executable in a sequestered environment • Navy's top budget priority in any fiscal scenario
	Prevent the proliferation and use of nuclear, biological, and chemical weapons	This mission is fully executable in a sequestered environment
Build Security Globally	Provide a stabilizing presence to influence events, reassure allies, and respond to crises	Increased risk due to: • Less ships forward • Decline of steady state presence & contingency response forces

Table 2: Mission Impacts to a Sequestered Navy

**Source:** Statement of Admiral Jonathan Greenert, U.S. Navy, Chief of Naval Operations, Before the Senate Armed Services Committee on the Impact of Sequestration on National Defense, January 28, 2015.

## March 2015 Navy Report

The Navy's March 2015 report to Congress on its FY2016 30-year shipbuilding plan states:

### Long Term Navy Impact of Budget Control Act (BCA) Resource Level

The BCA is essentially a ten-percent reduction to DOD's TOA. With the CVN [aircraft carrier] and OR [Ohio replacement] SSBN programs protected from this cut, as described above, there would be a compounding effect on the remainder of the Navy's programs. The shortage of funding could potentially reverse the Navy's progress towards recapitalizing a 308 ship battle force and could damage an already fragile shipbuilding

<sup>22</sup> Statement of Admiral Jonathan Greenert, U.S. Navy, Chief of Naval Operations, Before the Senate Armed Services Committee on the Impact of Sequestration on National Defense, January 28, 2015, pp. 4-9.



industry. There are many ways to balance between force structure, readiness, capability, and manpower, but none that Navy has calculated that enable us to confidently execute the current defense strategy within BCA level funding.

If the BCA is not rescinded, it may impact Navy's ability to procure those ships we intend to procure between now and FY2020. Although Navy would look elsewhere to absorb sequestration shortfalls because of the irreversibility of force structure cuts, a result might be that a number of the ships reflected in the current FYDP may be delayed to the future. The unintended consequence of these potential delays would be the increased costs of restoring these ships on top of an already stretched shipbuilding account that is trying to deal with the post FY2021 OR SSBN costs.

As previously articulated, barring changes to the Fleet's operational requirements, the annual impact of sequestration level funding may require Navy to balance resources to fund readiness accounts to keep what we have operating, manned, and trained. The net result of these actions could potentially create a smaller Navy that is limited in its ability to project power around the world and simply unable to execute the nation's defense strategy. A decline would not be immediate due to the ongoing shipbuilding projects already procured but would impact the future fleet size. Disruptions in naval ship design and construction plans are significant because of the long-lead time, specialized skills, and integration needed to build military ships. The extent of these impacts would be directly related to the length of time we are under a BCA and the TOA reductions that are apportioned to the Navy.<sup>23</sup>

## **Affordability of 30-Year Shipbuilding Plan**

Another potential oversight issue for Congress concerns the prospective affordability of the Navy's 30-year shipbuilding plan. In assessing the prospective affordability of the 30-year plan, key factors that Congress may consider include estimated ship procurement costs and future shipbuilding funding levels. Each of these is discussed below.

### **Estimated Ship Procurement Costs**

If one or more Navy ship designs turn out to be more expensive to build than the Navy estimates, then the projected funding levels shown in the 30-year shipbuilding plan will not be sufficient to procure all the ships shown in the plan. Ship designs that can be viewed as posing a risk of being more expensive to build than the Navy estimates include Gerald R. Ford (CVN-78) class aircraft carriers, Ohio-replacement (SSBNX) class ballistic missile submarines, the Flight III version of the DDG-51 destroyer, the TAO-205 class oiler, and the LX(R) amphibious ship.

As shown in **Table 7**, the Navy estimates that the FY2016 30-year shipbuilding plan<sup>24</sup> would cost an average of about \$16.5 billion per year in constant FY2015 dollars to implement, including an average of about \$16.9 billion per year during the first 10 years of the plan, an average of about \$17.2 billion per year during the middle 10 years of the plan, and an average of about \$15.2 billion per year during the final 10 years of the plan.

As also shown in **Table 7**, an October 2015 Congressional Budget Office (CBO) report on the Navy's FY2015 30-year shipbuilding plan estimates that the plan will require 11.5% more

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<sup>23</sup> U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2016*, March 2015, pp. 7-8.

<sup>24</sup> Cost figures for the FY2017 30-year shipbuilding plan are not yet available. They will become available when CBO publishes its estimate of the cost of the FY2017 30-year shipbuilding plan. CBO is now preparing this estimate.

funding to implement than the Navy estimates, including 7.7% more than the Navy estimates during the first 10 years of the plan, 11.6% more than the Navy estimates during the middle 10 years of the plan, and 17.1% more than the Navy estimates during the final 10 years of the plan.<sup>25</sup> Over the years, CBO's estimates of the cost to implement the Navy's 30-year shipbuilding plan have generally been higher than the Navy's estimates.

Some of the difference between CBO's estimates and the Navy's estimates is due to a difference between CBO and the Navy in how to treat inflation in Navy shipbuilding. This difference compounds over time, making it increasingly important as a factor in the difference between CBO's estimates and the Navy's estimates the further one goes into the 30-year period. In other words, other things held equal, this factor tends to push the CBO and Navy estimates further and further apart as one proceeds from the earlier years of the plan to the later years of the plan.

**Table 7. Navy and CBO Estimates of Cost of 30-Year Shipbuilding Plan**

Funding for new-construction ships, in billions of constant FY2016 or FY2015 dollars

	First 10 years of the plan	Middle 10 years of the plan	Final 10 years of the plan	Entire 30 years of the plan
<b>FY2017 (FY2017-FY2046) 30-Year Shipbuilding Plan (constant FY2016 dollars)</b>				
Navy estimate	n/a	n/a	n/a	n/a
CBO estimate	n/a	n/a	n/a	n/a
% difference between Navy and CBO estimates	n/a	n/a	n/a	n/a
<b>FY2016 (FY2016-FY2045) 30-Year Shipbuilding Plan (constant FY2015 dollars)</b>				
Navy estimate	16.9	17.2	15.2	16.5
CBO estimate	18.2	19.2	17.8	18.4
% difference between Navy and CBO estimates	7.7%	11.6%	17.1%	11.5%

**Source:** Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2016 Shipbuilding Plan*, Table 4 on p. 13. **n/a** means not available. These figures will become available when CBO publishes its estimate of the cost of the FY2017 30-year shipbuilding plan. CBO is now preparing this estimate.

The shipbuilding program that contributes the most to the difference between the CBO and Navy estimates of the cost of the FY2016 30-year plan is a future destroyer, called the DDG-51 Flight IV, that appears in the final 16 years of the 30-year plan. As shown in the CBO report, this one program accounts for 29% of the total difference between CBO and the Navy on the estimated cost implement the FY2016 30-year shipbuilding plan. The next-largest contributor to the overall difference is the Ohio replacement program, which accounts for 22%, followed by the Flight III version of the DDG-51 destroyer, which accounts for 12%.<sup>26</sup> Together, the Flight III and Flight IV versions of the DDG-51 destroyer account for 41% of the total difference between CBO and the Navy.

The relatively large contribution of the DDG-51 Flight IV destroyer to the overall difference between CBO and the Navy on the cost of the FY2016 30-year shipbuilding plan appears to be due primarily to three factors:

<sup>25</sup> Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2016 Shipbuilding Plan*, Table 4 on p. 13.

<sup>26</sup> Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2016 Shipbuilding Plan*, October 2015, Table B-1 on page 35.

- There are many of these Flight IV destroyers in the FY2016 30-year plan—a total of 37, or 14% of the 264 total ships in the plan.
- There appears to be a basic difference between CBO and the Navy over the likely size (and thus cost) of this ship. The Navy appears to assume that the ship will use the current DDG-51 hull design, whereas CBO believes the growth potential of the current DDG-51 hull design will be exhausted by then, and that the Flight IV version of the ship will require a larger hull design (either a lengthened version of the DDG-51 hull design, or an entirely new hull design).
- These destroyers occur in the final 16 years of the FY2016 30-year plan, where the effects of the difference between CBO and the Navy on how to treat inflation in Navy shipbuilding are the most pronounced.

### **Future Shipbuilding Funding Levels**

In large part due to the statutory requirement for the Navy to annually submit a report on its 30-year shipbuilding plan, it has been known for years that fully implementing the 30-year shipbuilding plan would require shipbuilding budgets in coming years that are considerably greater than those of recent years, and that funding requirements for the Ohio-replacement (OR) ballistic missile submarine (SSBN) program will put particular pressure on the shipbuilding budget during the middle years of the 30-year plan. The Navy's report on the FY2016 30-year plan states:

Within the Navy's traditional Total Obligation Authority (TOA), and assuming that historic shipbuilding resources continue to be available, the OR SSBN would consume about half of the shipbuilding funding available in a given year – and would do so for a period of over a decade. The significant drain on available shipbuilding resources would manifest in reduced procurement quantities in the remaining capital ship programs. Therefore, additional resources for shipbuilding will likely be required during this period.

Since the CVN funding requirements are driven by the statutory requirement to maintain eleven CVNs, and accounting for one OR SSBN per year (starting in FY2026), there would only be about half of the resources normally available to procure the Navy's remaining capital ships. At these projected funding levels, Navy would be limited to on average, as few as two other capital ships (SSN, DDG, CG, LPD, LHA, etc.) per year throughout this decade. In assessing the Navy's ability to reach the higher annual shipbuilding funding levels described above, one perspective is to note that doing so would require the shipbuilding budget to be increased by 30% to 50% from levels in recent years. In a context of constraints on defense spending and competing demands for defense dollars, this perspective can make the goal of increasing the shipbuilding budget to these levels appear daunting....

The cost of the OR SSBN is significant relative to the resources available to DON in any given year. At the same time, the DON will have to address the block retirement of ships procured in large numbers during the 1980s, which are reaching the end of their service lives. The convergence of these events prevents DON from being able to shift resources within the shipbuilding account to accommodate the cost of the OR SSBN.

If DON funds the OR SSBN from within its own resources, OR SSBN construction will divert funding from construction of other ships in the battle force such as attack submarines, destroyers, aircraft carriers and amphibious warfare ships. The resulting battle force will not meet the requirements of the Force Structure Assessment (FSA),

National Security Strategy, or the Quadrennial Defense Review (QDR). Additionally, there will be significant impact to the shipbuilding industrial base.<sup>27</sup>

The Navy's report on the FY2017 30-year plan states:

In order to procure [the Ohio replacement boats] without impacting remaining procurement plans, the Navy will continue to need increases in [its budget] topline beyond the FYDP, not unlike those that occurred during construction of the Ohio class in the 1980's....

There are two significant challenges to resourcing the DoN shipbuilding program. First will be funding and delivering the OR SSBN and second addressing the number of ship and submarine retirements as they reach the end of their service lives. The DoN contents that the only way to effectively overcome these challenges while supporting the defense strategy is with increases in DoN top-line funding commensurate with the funding required to procure the OR SSBN and executing the phased maintenance plan for the CGs [cruisers].<sup>28</sup>

The amount of additional shipbuilding funding that would be needed in coming years to fully implement the Navy's 30-year shipbuilding plan—an average of about \$4.5 billion per year<sup>29</sup>—can be characterized in at least two ways. One is to note that this would equate to a roughly one-third increase in the shipbuilding budget above historical levels. Another is to note that this same amount of additional funding would equate to less than 1% of DOD's annual budget.

## **Appropriate Future Size and Structure of Navy in Light of Strategic and Budgetary Changes**

### **Overview**

Another issue for Congress concerns the appropriate future size and structure of the Navy. Changes in strategic and budgetary circumstances in recent years have led to a broad debate over the future size and structure of the military, including the Navy. The Navy's current goal for a fleet of 308 ships reflects a number of judgments and planning factors (some of which the Navy receives from the Office of the Secretary of Defense), including but not limited to the following:

- U.S. interests and the U.S. role in the world, and the U.S. military strategy for supporting those interests and that role;
- current and projected Navy missions in support of U.S. military strategy, including both wartime operations and day-to-day forward-deployed operations;
- technologies available to the Navy, and the individual and networked capabilities of current and future Navy ships and aircraft;
- current and projected capabilities of potential adversaries, including their anti-access/area-denial (A2/AD) capabilities;
- regional combatant commander (COCOM) requests for forward-deployed Navy forces;

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<sup>27</sup> U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2016*, March 2015, pp. 7, 13-14.

<sup>28</sup> *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2017*, April 2016, pp. 5 and 7.

<sup>29</sup> Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2016 Shipbuilding Plan*, October 2015, p. 3.

- basing arrangements for Navy ships, including numbers and locations of ships homeported in foreign countries;
- maintenance and deployment cycles for Navy ships; and
- fiscal constraints.

With regard to the fourth point above—regional combatant commander (COCOM) requests for forward-deployed Navy forces—as mentioned earlier, Navy officials testified in March 2014 that a Navy of 450 ships would be required to fully meet COCOM requests for forward-deployed Navy forces.<sup>30</sup> The difference between a fleet of 450 ships and the current goal for a fleet of 308 ships can be viewed as one measure of operational risk associated with the goal of a fleet of 308 ships. A goal for a fleet of 450 ships might be viewed as a fiscally unconstrained goal.

As also mentioned earlier, world events have led some observers, starting in late 2013, to conclude that the international security environment has undergone a shift from the familiar post-Cold War era of the past 20-25 years, also sometimes known as the unipolar moment (with the United States as the unipolar power), to a new and different strategic situation that features, among other things, renewed great power competition and challenges to elements of the U.S.-led international order that has operated since World War II. A shift from the post-Cold War era to a new strategic era could lead to a new reassessment of defense funding levels, strategy, missions, plans, and programs.<sup>31</sup>

For additional discussion of the relationship between U.S. strategy and the size and structure of U.S. naval forces that can form part of the context for assessing the 30-year shipbuilding plan, see **Appendix C**.

## **Proposals by Study Groups**

Some study groups have made their own proposals for Navy ship force structure that reflect their own perspectives on the bullet points listed above (particularly the first four and the final one). **Table 8** shows some of these proposals, all of which were published prior to late 2013, when observers began to conclude that the international security environment has undergone a shift from the familiar post-Cold War era of the past 20-25 years, also sometimes known as the unipolar moment (with the United States as the unipolar power), to a new and different strategic situation that features, among other things, renewed great power competition and challenges to elements of the U.S.-led international order that has operated since World War II (see “Shift in International Security Environment” in “Background”). For reference purposes, **Table 8** also shows the Navy’s 308-ship goal of March 2015.

Some observers, pointing to China’s naval modernization effort, resurgent Russian naval activity, and challenges that the Navy has sometimes faced in meeting requests from the various regional U.S. military commanders for day-to-day, in-region presence of forward-deployed Navy ships, are now advocating an increase in the Navy’s force-structure goal to a figure greater than 308 ships, such as 350 ships. This proposal is discussed in detail in another CRS report.<sup>32</sup>

<sup>30</sup> Spoken testimony of Admiral Jonathan Greenert at a March 12, 2014, hearing before the House Armed Services Committee on the Department of the Navy’s proposed FY2015 budget, as shown in transcript of hearing.

<sup>31</sup> For a discussion, see CRS Report R43838, *A Shift in the International Security Environment: Potential Implications for Defense—Issues for Congress*, by Ronald O’Rourke.

<sup>32</sup> See CRS Report R44635, *Navy Force Structure: A Bigger Fleet? Background and Issues for Congress*, by Ronald O’Rourke.

**Table 8. Recent Study Group Proposals for Navy Ship Force Structure**

Ship type	Navy's 308-ship goal of March 2015	Project on Defense Alternatives (PDA) (November 2012)	Heritage Foundation (April 2011)	Cato Institute (September 2010) <sup>a</sup>	Independent Panel Assessment of 2010 QDR (July 2010)	Sustainable Defense Task Force (June 2010)	Center for a New American Security (CNAS) (November 2008)	Center for Strategic and Budgetary Assessments (CSBA) (2008) <sup>b</sup>
<i>Submarines</i>								
SSBN	12	7	14 <sup>c</sup>	6	14	7	14	12
SSGN	0	6-7	4	0	4	4	0	2
SSN	48	42	55	40	55	37	40	41
<i>Aircraft carriers</i>								
CVN	11	9	11	8	11	9	8	11
CVE	0	0	0	0	0	0	0	4
<i>Surface combatants</i>								
Cruiser	88	72-74	88	22	n/a	85	18	14
Destroyer				65	n/a		56	73
Frigate	0	2-7 <sup>i</sup>	28 <sup>d</sup>	14	n/a	0	0	9 <sup>e</sup>
LCS	52	12 <sup>j</sup>		4	n/a	25	48	55
SSC	0	1	0	0	n/a	0	40	0 <sup>f</sup>
<i>Amphibious and Maritime Prepositioning Force (Future) (MPF[F]) ships</i>								
Amphibious ships	34	≥23	37	23	n/a	27	36	33
MPF(F) ships	0	n/a	0	0	n/a	n/a	0	3 <sup>g</sup>
LSD station ships	0	0	0	0	0	0	0	7 <sup>h</sup>
<i>Other: Mine warfare (MIW) ships; Combat Logistics Force (CLF) ships (i.e., at-sea resupply ships), and support ships</i>								
MIW	0	14 <sup>i</sup>	14	11	0	0	0	0
CLF ships	29	n/a	33	21	n/a			31
Support ships	34	n/a	25	27	n/a	36	40	31
<b>TOTAL battle force ships</b>	<b>308</b>	<b>230</b>	<b>309</b>	<b>241</b>	<b>346</b>	<b>230</b>	<b>300</b>	<b>326<sup>i</sup></b>

**Source:** Table prepared by CRS based on the following sources: **For Heritage Foundation:** *A Strong National Defense[.] The Armed Forces America Needs and What They Will Cost*, Heritage Foundation, April 5, 2011, pp. 25-26. **For Cato Institute:** Benjamin H. Friedman and Christopher Preble, *Budgetary Savings from Military Restraint*, Washington, Cato Institute, September 23, 2010 (Policy Analysis No. 667), pp. 6, 8-10, and additional information provided by Cato Institute to CRS by email on September 22, 2010. **For Independent Panel Assessment:** Stephen J. Hadley and William J. Perry, co-chairmen, et al., *The QDR in Perspective: Meeting America's National Security Needs In the 21<sup>st</sup> Century, The Final Report of the Quadrennial Defense Review Independent Panel*, Washington, 2010, Figure 3-2 on pages 58-59. **For Sustainable Defense Task Force:** *Debt, Deficits, and Defense, A Way Forward[.] Report of the Sustainable Defense Task Force*, June 11, 2010, pp. 19-20. **For CNAS:** Frank Hoffman, *From Preponderance to Partnership: American Maritime Power in the 21<sup>st</sup> Century*. Washington, Center for a New American Security, November 2008. p. 19 (Table 2). **For CSBA:** Robert O. Work, *The US Navy[.] Charting a Course for Tomorrow's Fleet*. Washington, Center for Strategic and Budgetary Assessments, 2008. p. 81 (Figure 5). **For PDA:** Carl Conetta, *Reasonable Defense*, Project on Defense Alternatives, November 14, 2012, 31 pp.



**Notes:** **n/a** is not addressed in the report. **SSBN** is nuclear-powered ballistic missile submarine; **SSGN** is nuclear-powered cruise missile and special operations forces submarine; **SSN** is nuclear-powered attack submarine; **CVN** is large nuclear-powered aircraft carrier; **CVE** is medium-sized aircraft carrier; **LCS** is Littoral Combat Ship; **SSC** (an acronym created by CRS for this table) is small surface combatant of 1,000+ tons displacement—a ship similar to late-1990s Streetfighter concept; **MPF(F)** is Maritime Prepositioning Force (Future) ship; **LSD** is LSD-41/49 class amphibious ship operating as a station ship for a formation like a Global Fleet Station (GFS); **MIW** is mine warfare ship; **CLF** is combat logistics force (i.e., resupply) ship.

- a. Figures shown are for the year 2020; for subsequent years, reductions from these figures would be considered.
- b. Figures shown are for the year 2028.
- c. The report calls for a force of 280 SLBMs, which appears to equate to a force of 14 SSBNs, each with 20 SLBM tubes.
- d. The report calls for a force of 28 small surface combatants, and appears to use the term small surface combatants the same way that the Navy does in the 30-year shipbuilding plan—as a way of collectively referring to frigates and LCSs. The small surface combatants (SSCs) called for in the November 2008 CNAS report are separate from and smaller than the LCS.
- e. Maritime Security Frigates.
- f. Plan includes 28 patrol craft (PCs) of a few hundred tons displacement each, as well as 29 boat detachments and seven riverine squadrons.
- g. Plan shows three Mobile Landing Platform (MLP) ships that the Navy currently plans for the MPF(F) squadron, plus 16 existing current-generation maritime prepositioning force (MPF) ships and 17 existing prepositioning ships for Army and other service/agency equipment. Plan also shows 67 other DOD sealift ships.
- h. T-LSDs, meaning LSDs operated by the Military Sealift Command (MSC) with a partly civilian crew.
- i. The CSBA report shows a total of 488 units by including 162 additional force units that do not count toward the 308-ship goal under the battle force ships counting method that has been used since the early 1980s for public policy discussions of the size of the Navy. These 162 additional force units include 16 existing current-generation maritime prepositioning force (MPF) ships and 17 existing prepositioning ships for Army and other service/agency equipment, 67 other DOD sealift ships, 28 PCs, 29 boat detachments, and certain other small-scale units. The CSBA report proposes a new counting method for naval/maritime forces that includes units such as these in the total count.
- j. The report “prescribes ending procurement of the LCS with the 12 already purchased. The *Reasonable Defense* model foresees a future cohort of 28 to 33 small surface combatants, including a mix of the 12 LCS that have already been procured, 14 Mine Counter Measure (MCM) ships already in the fleet, and small frigates or ocean-going corvettes. As the MCM ships age and leave the fleet, the LCS should assume their role. The would leave a post-MCM requirement for 16 to 21 additional small surface combatants. For this, the Navy needs a simpler, less expensive alternative to the LCS.”

## Fleet Architecture

### *Networked Operations and Unmanned Vehicles*

Some observers, viewing advancements in technologies for networked operations and unmanned vehicles, have raised the issue of whether the U.S. Navy’s current fleet architecture—meaning its current mix of ship types, and how those ships are combined to create Navy formations—should be altered in coming years to make greater use of such technologies:

- Observers viewing advancements in technologies for supporting networked operations speculate (or argue) that fully exploiting networked operations could (or should) lead to a new fleet architecture that incorporates a greater reliance on distributed sensor networks or an architecture that features ship designs that distribute ship-based sensors and weapon launchers across the fleet in a different pattern from today’s ship designs.



- Observers viewing developments in technologies for unmanned air, surface, and underwater vehicles speculate (or argue) that fully exploiting unmanned vehicles that are launched from Navy ships—including vehicles capable of autonomous operations, and vehicles launched in large numbers to operate as coordinated “swarms”—might (or should) lead to new or modified ship designs, and that larger unmanned vehicles with longer cruising ranges that are launched directly from pier (sometimes referred to as unmanned ships) might in the future carry out certain missions currently performed by manned Navy ships.<sup>33</sup>

### ***Distributed Architectures and Countering Chinese A2/AD Forces***

Other observers, viewing China’s maritime anti-access/area-denial (A2/AD) forces, have raised the question of whether the U.S. Navy should respond by shifting over time to a more highly distributed fleet architecture featuring a reduced reliance on aircraft carriers and other large ships and an increased reliance on smaller ships. The question of whether the U.S. Navy concentrates too much of its combat capability in a relatively small number of high-value units, and whether it should shift over time to a more highly distributed fleet architecture, has been debated at various times over the years, in various contexts. The issue was examined, for example, in a report by DOD’s Office of Force Transformation (OFT) that was submitted to Congress in 2005.<sup>34</sup>

Supporters of shifting to a more highly distributed fleet architecture argue that the Navy’s current architecture, including its force of 11 large aircraft carriers, in effect puts too many of the Navy’s combat-capability eggs into a relatively small number of baskets on which an adversary can concentrate its surveillance and targeting systems and its anti-ship weapons. They argue that although a large Navy aircraft carrier can absorb hits from multiple conventional weapons without sinking, a smaller number of enemy weapons might cause damage sufficient to stop the carrier’s aviation operations, thus eliminating the ship’s primary combat capability and providing the attacker with what is known as a “mission kill.” A more highly distributed fleet architecture, they argue, would make it more difficult for China to target the Navy and reduce the possibility of the Navy experiencing a significant reduction in combat capability due to the loss in battle of a relatively small number of high-value units.

Opponents of shifting to a more highly distributed fleet architecture argue that large carriers and other large ships are not only more capable, but proportionately more capable, than smaller ships, that larger ships are capable of fielding highly capable systems for defending themselves, and that they are much better able than smaller ships to withstand the effects of enemy weapons, due to their larger size, extensive armoring and interior compartmentalization, and extensive damage-control systems. A more highly distributed fleet architecture, they argue, would be less capable or

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<sup>33</sup> See, for example, Megan Eckstein, Board Recommends Further Use Of Autonomy In Sea Control, Support Of Ground Troops, *USNI News*, August 24, 2016; Sandra I. Erwin, “Crewless Ships in the Navy: Not If, But When,” *National Defense*, August 14, 2016; Kris Osborn, “New Evolving Navy Drone Strategy Envisions More Autonomy, Faster Processing,” *Scout Warrior*, June 9, 2016. James Hasik, “DARPA’s New Robotic Frigate Might Seriously Change Naval Warfare,” *Real Clear Defense*, April 14, 2016; Harry J. Kazianis, “Get Ready, China: Tech Breakthrough Could Turn U.S. Subs into Carriers,” *National Interest*, March 2, 2014; Megan Eckstein, “Navy: Future Undersea Warfare Will Have Longer Reach, Operate With Network of Unmanned Vehicles,” *USNI News*, March 24, 2016.

<sup>34</sup> OFT’s report, along with two other reports on Navy fleet architecture that were submitted to Congress in 2005, are discussed at length in CRS Report RL33955, *Navy Force Structure: Alternative Force Structure Studies of 2005—Background for Congress*, by Ronald O’Rourke. See also Wayne P. Hughes Jr., *The New Navy Fighting Machine: A Study of the Connections Between Contemporary Policy, Strategy, Sea Power, Naval Operations, and the Composition of the United States Fleet*, Monterey (CA), Naval Postgraduate School, August 2009, 68 pp.

more expensive than today's fleet architecture. Opponents of shifting to a more highly distributed fleet architecture could also argue that the Navy has already taken important steps toward fielding a more distributed fleet architecture through its plan to acquire 52 LCSs and 11 JHSVs, and through the surface fleet's recently announced concept of distributed lethality, under which offensive weapons are to be distributed more widely across all types of Navy surface ships and new operational concepts for Navy surface ship formations are to be implemented.<sup>35</sup>

### ***Study on Potential Alternative Aircraft Carriers Mandated in FY2015 NDAA***

Section 128(d) of the FY2015 National Defense Authorization Act (S. 1356/P.L. 114-92 of November 25, 2015) requires the Secretary of the Navy to submit a report on potential requirements, capabilities, and alternatives for the future development of aircraft carriers that would replace or supplement the CVN-78 class aircraft carrier to the congressional defense committees by April 1, 2016. Depending on its findings or recommendations, it is possible that the report could lead to a change in aircraft carrier design that might in turn lead to a change in fleet architecture. The text of Section 128(d) is as follows:

SEC. 128. LIMITATION ON AVAILABILITY OF FUNDS FOR U.S.S. JOHN F. KENNEDY (CVN-79).

...

(d) Report on Future Development.--

(1) In general.--Not later than April 1, 2016, the Secretary of the Navy shall submit to the congressional defense committees a report on potential requirements, capabilities, and alternatives for the future development of aircraft carriers that would replace or supplement the CVN-78 class aircraft carrier.

(2) Elements.--The report under paragraph (1) shall include the following:

(A) A description of fleet, sea-based tactical aviation capability requirements for a range of operational scenarios beginning in the 2025 timeframe.

(B) A description of alternative aircraft carrier designs that meet the requirements described under subparagraph (A).

(C) A description of nuclear and non-nuclear propulsion options.

(D) A description of tonnage options ranging from less than 20,000 tons to greater than 100,000 tons.

(E) Requirements for unmanned systems integration from inception.

(F) Developmental, procurement, and lifecycle cost assessment of alternatives.

<sup>35</sup> Navy surface fleet leaders announced the distributed lethality concept in early 2015. The aim of distributed lethality is to boost the surface fleet's capability for attacking enemy ships and make it less possible for an enemy to cripple the U.S. fleet by concentrating its attacks on a few very-high-value Navy surface ships (particularly the Navy's aircraft carriers). See Thomas Rowden, Peter Gumataotao, and Peter Fanta, "Distributed Lethality," *U.S. Naval Institute Proceedings*, January 2015: 18-23; Sam LaGrone, "SNA: Navy Surface Leaders Pitch More Lethal Ships, Surface Action Groups," *USNI News*, January 14, 2015; Kris Osborn, "Navy Unveils New Surface Warfare Strategy," *Military.com*, January 14, 2015; Sydney J. Freedberg Jr., "'If It Floats, It Fights': Navy Seeks 'Distributed Lethality,'" *Breaking Defense*, January 14, 2015; Mike McCarthy and Megan Eckstein, "Navy Eyeing A 'Hunter Killer' Surface Fleet, Would Require Upgunning Existing Ship Fleets," *Defense Daily*, January 15, 2015: 1-3; Richard Scott, "Offensive Language: USN Sets Out Surface Firepower Strategy," *Jane's International Defence Review*, May 2015: 42-47; Megan Eckstein, "Navy Studying Implications of Distributed Lethality in Wargames Series," *USNI News*, July 9, 2015; Lara Seligman, "Navy Establishes Task Force To Study Impact of Distributed lethality," *Inside the Navy*, July 10, 2015.

- (G) A notional acquisition strategy for the development and construction of alternatives.
- (H) A description of shipbuilding industrial base considerations and a plan to ensure opportunity for competition among alternatives.
- (I) A description of funding and timing considerations related to developing the Annual Long-Range Plan for Construction of Naval Vessels required under section 231 of title 10, United States Code.

### ***Studies of Alternative Fleet Platform Architectures Mandated in FY2016 NDAA***

Section 1067 of the FY2016 National Defense Authorization Act (S. 1356/P.L. 114-92 of November 25, 2015) requires the Secretary of Defense to provide for three independent studies on alternative fleet platform architectures for the Navy in the 2030 timeframe, and to submit the results of each study to the congressional defense committees by April 1, 2016. The text of Section 1067 is as follows:

#### **SEC. 1067. STUDIES OF FLEET PLATFORM ARCHITECTURES FOR THE NAVY.**

##### **(a) Independent Studies.--**

(1) In general.--The Secretary of Defense shall provide for the performance of three independent studies of alternative future fleet platform architectures for the Navy in the 2030 timeframe.

(2) Submission to congress.--Not later than April 1, 2016, the Secretary shall submit the results of each study to the congressional defense committees.

(3) Form.--Each such study shall be submitted in unclassified form, but may contain a classified annex as necessary.

(b) Entities to Perform Studies.--The Secretary of Defense shall provide for the studies under subsection (a) to be performed as follows:

(1) One study shall be performed by the Department of the Navy and shall include participants from--

(A) the Office of Net Assessment within the Office of the Secretary of Defense; and

(B) the Naval Surface Warfare Center Dahlgren Division.

(2) The second study shall be performed by a federally funded research and development center.

(3) The final study shall be conducted by an independent, non-governmental institute which is described in section 501(c)(3) of the Internal Revenue Code of 1986, and exempt from tax under section 501(a) of such Code, and has recognized credentials and expertise in national security and military affairs.

##### **(c) Performance of Studies.--**

(1) Independent performance.--The Secretary of Defense shall require the three studies under this section to be conducted independently of each other.

(2) Matters to be considered.--In performing a study under this section, the organization performing the study, while being aware of the current and projected fleet platform architectures, shall not be limited by the current or projected fleet platform architecture and shall consider the following matters:

(A) The National Security Strategy of the United States.

(B) Potential future threats to the United States and to United States naval forces in the 2030 timeframe.

- (C) Traditional roles and missions of United States naval forces.
- (D) Alternative roles and missions for United States naval forces.
- (E) Other government and non-government analyses that would contribute to the study through variations in study assumptions or potential scenarios.
- (F) The role of evolving technology on future naval forces, including unmanned systems.
- (G) Opportunities for reduced operation and sustainment costs.
- (H) Current and projected capabilities of other United States armed forces that could affect force structure capability and capacity requirements of United States naval forces.
- (d) Study Results.--The results of each study under this section shall--
  - (1) present the alternative fleet platform architectures considered, with assumptions and possible scenarios identified for each;
  - (2) provide for presentation of minority views of study participants; and
  - (3) for the recommended architecture, provide--
    - (A) the numbers, kinds, and sizes of vessels, the numbers and types of associated manned and unmanned vehicles, and the basic capabilities of each of those platforms;
    - (B) other information needed to understand that architecture in basic form and the supporting analysis;
    - (C) deviations from the current Annual Long-Range Plan for Construction of Naval Vessels required under section 231 of title 10, United States Code;
    - (D) options to address ship classes that begin decommissioning prior to 2035; and
    - (E) implications for naval aviation, including the future carrier air wing and land-based aviation platforms.

Observers who follow issues relating to Navy force structure and shipbuilding plans are now awaiting the results of the study on potential alternative aircraft carriers mentioned in the previous section, the three studies on alternative fleet platform architectures mentioned above, and the Navy's new Force Structure Assessment (FSA) that was mentioned earlier (see "New Force Structure Assessment (FSA) Now Being Done").<sup>36</sup>

### ***May 2014 Journal Article***

One observer—a person who for many years was the Navy's lead force-structure planner—stated the following in 2014 regarding the Navy's approach to fleet design:

It is time to rethink how we will design the future Fleet in a way that rebalances affordability, platform capability, and deployment processes. We must build it as a whole instead of continuing to "let it happen" one platform requirements decision at a time....

Today the Navy operates about 50 different types of ships and aircraft with individual design-service lives of 20 to 50 years. On average, about two classes of ship or aircraft annually come up for a decision on replacement at the end of their service lives. Each of these decisions, a multi-year joint bureaucratic process with dozens of participating organizations, is made individually. Typically, as a starting point, the new platform must do everything the old one did, except in the more challenging threat environment of the future. All of the decision-making organizations generally advocate for the next-

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<sup>36</sup> See, for example, Christopher P. Cavas, "Shaping the Fleet of the Future," *Defense News*, May 8, 2016.

generation platform to have the desired capabilities unmet by the old one—particularly since any additional unit cost is not their bill. It is no surprise that this process leads to steadily increasing platform and overall Fleet cost....

The future Fleet is being designed ad hoc, one platform at a time, and we cannot afford this. How can we change the trend toward an ever-smaller Fleet of ever-better platforms while maintaining the capability superiority needed to execute our missions? It will take a top-down design to provide a structure in which individual platform requirements can be shaped and disciplined despite all of the pressures. We will have to consider distributing capabilities to a greater extent across a force that is securely networked, at least within line of sight, rather than putting as many as possible on each individual platform and continuing to drive up its size and cost.

We will have to consider separating weapon magazines from the sensors that direct the weapons rather than putting both on the same platform. Another option is increasing reliance on deep-magazine directed energy systems, and on force-wide coordinated soft-kill and counter-targeting techniques, rather than on engaging each threat with ever-larger and more expensive kinetic weapons. We can also think about increasing reliance on penetrating high-threat areas with longer-range weapons or with preprogrammed unmanned systems rather than with manned platforms. Few of these options would rise to the top in the requirements decision-making process for any individual platform. They only start to make sense when considered and competed at a Fleet-wide level.

Developing an overall fleet design to structure and discipline individual platform requirements is no small task. Simply constraining platform cost without dealing with how capabilities might be delivered differently is not sufficient. This is not a once-and-done process, as changes in threat and in our own technology options will never stop. But neither can it be a process that changes the design in some fundamental way every year or two—it will have to influence platform requirements for a long period of time to affect a significant number of new platform designs.

We cannot afford to retire legacy platforms prematurely simply because they are not optimized within our new Fleet design, which will take time to implement and have to be done incrementally. Real and fundamental change in the roles, missions, and interdependencies among platform types, and in the balance between manned and unmanned and between platform and payload, is an inevitable outcome of a Fleet design process. That is the point. Change is hard, and it will have to be authorized and directed by the Navy's leadership or risk not happening.

A number of ideas for a new Fleet design have been offered recently from outside the Navy's decision-making mainstream. However, all have had significant flaws, so they have not received serious consideration. They have assumed things such as beyond line-of-sight networking that has no survivable future in the face of adversary counter-space capability; autonomy of unmanned vehicles in executing lethal missions that is beyond the projected capability of software and U.S. rules of engagement to support; and the use of platforms too small to be capable of global deployment and sustained sea-based operations, which is how the U.S. Navy must deliver global naval power. The future Fleet design must be grounded in technical and operational reality, and it has to come from inside the Navy system....

Developing a rich list of operationally-realistic options supported by rigorous analysis of cost and feasibility is foundational. It could include:

- The use of a common large aviation-ship hull for Navy sea-control/power-projection air wings and for Marine Corps vertical-raid/assault-air wings, reconfigurable between the two missions between the deployments;

- Surface combatants with smaller vertical-launch magazines that can reload at sea from logistic ships or remotely fire weapons carried in supplementary magazines on logistic ships;
- Separate classes of surface combatants optimized for air defense or antisubmarine warfare within a common hull type that can self-defend in peacetime but aggregate to fight offensively in wartime;
- Tactical-combat aircraft that are optimized for endurance and carriage of long-range weapons rather than for penetrating sophisticated defenses carrying short-range weapons;
- Large shore-launched unmanned undersea vehicles that take the place of submarines for preprogrammed missions such as covert surveillance or mine-laying;
- Use of a common hull type for all of the large non-combatant ship missions such as command ships, tenders, hospital ships, ground vehicle delivery, and logistics; and
- Elimination of support models that are based on wartime reliance on reach-back access to unclassified cyber networks connected by vulnerable communications satellites or to an indefensible global internet....

The Navy's long-term force structure requirement is a 306-ship Fleet of the currently-planned designs, of which about 120 (or 40 percent of the force) would be deployed day-to-day. It would also be able to surge an additional 75 ships (another 25 percent) within two months to meet warfighting capacity requirements. In other words, about 65 percent is employed or rapidly employable.

This sounds good, but the reality is that 30 of these 120 deployed ships would be permanently homeported overseas; 26 would be LCSs that use the rotation of their small military crews to keep 50 percent of that class forward deployed; and 40 would be Military Sealift Command support ships that use rotational civilian mariner crewing to keep the ships deployed 75 percent of the time. The remaining 25 of the forward-deployed force will be large and complex multibillion dollar warships with all-military crews, supported out of a rotation base of 140 such ships.

In other words, we plan to buy and operate five of our most expensive ships to keep one deployed. This is not an efficient way to operate. In times of reduced funding our design must address ways to meet our deployment goals with a smaller rotation base while preserving wartime surge capacity.

Many studies and trials have been done over the years on options for reducing the total number of ships needed to sustain the Navy's robust peacetime forward-deployed posture. Increasing forward homeporting in other nations always comes up as the first choice. While it is a good one, few countries beyond those that currently support this (Japan, Spain, Italy, and Bahrain) are willing to tolerate a permanent new U.S. shore footprint. Building new shore-support infrastructure in foreign countries to back this results in a large bill for construction jobs outside the United States, which Congress normally finds unappetizing.

Using rotational crews to keep ships forward for extended periods without long deployments for their sailors is an efficient option that works for ships with small crews like LCSs, legacy mine-warfare ships, or Military Sealift Command support ships. Experiments in which this has been done with military crews on large complex warships have not turned out well. This was due both to the logistics of moving large crews overseas for turnovers and the difficulty of maintaining exact configuration commonality within ships of a class so that a crew arriving on a ship overseas has trained before deployment on an identical ship (or simulator) at home. Conversions of ships from military manning to Military Sealift Command civilian mariner crews that routinely rotate individual crewmembers to sustain ships forward are limited by the law of war



concerning what military actions civilians can perform, and there are few legal options left for further expansion of this approach.

What is left in the force-generation model of our current Fleet is a force of our most complex warships—aircraft carriers, submarines, destroyers, and amphibious ships—operating with permanently-assigned military crews in the “Fleet Readiness Program” cycle of maintain-train-deploy with a deployed output of one in five. Future designs must address this model and find ways to get more deployed time out of these expensive ships and crews—without exceeding the current objective of having military crewmembers spend no more than 50 percent of their time away from homeport over a complete multi-year operating cycle. The current limiting factor is the period required to train the crew as a team before deployment following the inactivity and crew turnover of the shipyard maintenance period.

Naval aviation is steadily moving toward the increased use of high-fidelity single and multi-aircraft simulation as a means of developing and sustaining operational proficiency with reduced use of expensive live flying. These simulators are funded as part of the overall fielding plan for the aircraft and were also built for the ballistic-missile submarine force to support its Blue-Gold crew manning concept. There is no equivalent model or set of off-ship simulators for major sections of the crews of conventional surface warships (other than the LCS) for nuclear-aircraft carriers or for attack submarines. A Fleet design that bought such simulation capability as part of its ship production programs—the way that aircraft programs do—would have significant potential for improving operational output by reducing the time to train for deployment after maintenance periods.

Today’s Fleet design is the product of many separate and disconnected decisions about the required capabilities of 50 different types of ships and aircraft. While not ineffective, it is definitely too expensive. The budget constraints facing the Navy for the next 20 years are not matched by a projected reduction in the quantity or capability of forces that must be delivered forward every day or surged forward in wartime.

The only way to meet these demands within available resources is to develop a design that provides a structure within which the capabilities of future platforms can be shaped to meet the Fleet’s missions efficiently as an overall force. Doing this will require a systems-level approach to defining what it must be able to do, and will mean abandoning some cherished traditions of what each type of platform should do. The alternative is a Navy no longer large or capable enough to do the nation’s business.<sup>37</sup>

## **Potential Oversight Questions**

Potential oversight questions for Congress include the following:

- Under the Administration’s plans, will the Navy in coming years be large enough to adequately counter improved Chinese maritime A2/AD forces while also adequately performing other missions of interest to U.S. policymakers around the world?
- In light of developments in Europe, North Africa, and Syria, is the Mediterranean Sea reemerging as a major operating hub for the U.S. Navy? What implications, if any, might that have for Navy force-structure requirements?
- If the Navy is reduced in size and priority is given to maintaining Navy forces in the Pacific, what will be the impact on Navy force levels in other parts of the world, such as the Persian Gulf/Indian Ocean region or the Mediterranean Sea,

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<sup>37</sup> Arthur H. Barber, “Rethinking The Future Fleet,” *U.S. Naval Institute Proceedings*, May 2014: 48-52.



and consequently on the Navy's ability to adequately perform its missions in those parts of the world?

- To what extent could the operational impacts of a reduction in Navy ship numbers be mitigated through increased use of forward homeporting, multiple crewing, and long-duration deployments with crew rotation (i.e., "Sea Swap")? How feasible are these options, and what would be their potential costs and benefits?<sup>38</sup>
- Should the Navy shift over time to a new fleet architecture, and if so, what should be the key features of that architecture ?
- Particularly in a situation of constrained DOD resources, if enough funding is allocated to the Navy to permit the Navy in coming years to maintain a fleet of 308 ships including 11 aircraft carriers, how much would other DOD programs need to be reduced, and what would be the operational implications of those program reductions in terms of DOD's overall ability to counter improved Chinese military forces and perform other missions?

## Legislative Activity for FY2017

### CRS Reports Tracking Legislation on Specific Navy Shipbuilding Programs

Detailed coverage of legislative activity on certain Navy shipbuilding programs (including funding levels, legislative provisions, and report language) can be found in the following CRS reports:

- CRS Report RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke. (This report also covers the issue of the Navy's proposal in its FY2017 budget submission to deactivate one of the Navy's ten carrier air wings.)
- CRS Report R41129, *Navy Ohio Replacement (SSBN[X]) Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL32418, *Navy Virginia (SSN-774) Class Attack Submarine Procurement: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL33741, *Navy Littoral Combat Ship (LCS)/Frigate Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R43543, *Navy LX(R) Amphibious Ship Program: Background and Issues for Congress*, by Ronald O'Rourke. (This report also covers the issue of funding for the procurement of San Antonio [LPD-17] class amphibious ships.)
- CRS Report R43546, *Navy John Lewis (TAO-205) Class Oiler Shipbuilding Program: Background and Issues for Congress*, by Ronald O'Rourke.

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<sup>38</sup> For further discussion of these options, see CRS Report RS21338, *Navy Ship Deployments: New Approaches—Background and Issues for Congress*, by Ronald O'Rourke.

Legislative activity on individual Navy shipbuilding programs that are not covered in detail in the above reports is covered below.

## Summary of Congressional Action on FY2017 Funding Request

The Navy's proposed FY2017 budget requests funding for the procurement of seven new battle force ships—two Virginia-class attack submarines, two DDG-51 class Aegis destroyers, two Littoral Combat Ships (LCSs), and one LHA-type amphibious assault ship. The Navy's proposed FY2016 shipbuilding budget also requests funding for ships that have been procured in prior fiscal years, and ships that are to be procured in future fiscal years.

**Table 9** summarizes congressional action on the Navy's FY2017 funding request for Navy shipbuilding. The table shows the amounts requested and congressional changes to those requested amounts. A blank cell indicates no change to the requested amount.

**Table 9. Summary of Congressional Action on FY2017 Funding Request**

(Millions of dollars, rounded to nearest tenth; a blank cell indicates no change to requested amount; totals may not add due to rounding)

Line number	Program	Request	Congressional changes to requested amounts					
			Authorization			Appropriation		
			HASC	SASC	Conf.	HAC	SAC	Conf.
National Sea-Based Deterrence Fund (NSBDF)								
—	Ohio replacement AP	0	+773.1					
Shipbuilding and Conversion, Navy (SCN) appropriation account								
001	Ohio replacement AP	773.1	-773.1					
002	CVN-78	1,291.8				-20.6	-16.0	
003	CVN-78 AP	1,370.8	+263.0			+263.0		
004	Virginia class	3,188.0						
005	Virginia class AP	1,767.2	+85.0			-25.1	+85.0	
006	CVN refueling overhaul	1,743.2				-53.3		
007	CVN refueling overhaul AP	248.6					-15.45	
008	DDG-1000	271.8						
009	DDG-51	3,211.3	+433.0	+49.8		+433.0	+403.5	
010	DDG-51 AP	0						
011	LCS	1,125.6	+384.7	-28.0		+313.6	+475.0	
012	LCS AP	0						
012A	LX(R)/LPD-29	0	+856.0					
013	LX(R)	0		+50.0		+1,550.0	+200.0	
014	LPD-17	0						
015	ESB (formerly AFSB)	0						
016	LHA-8	1,623.0				-63.8		
017	LHA-8 AP	0						

Line number	Program	Request	Congressional changes to requested amounts					
			Authorization			Appropriation		
			HASC	SASC	Conf.	HAC	SAC	Conf.
018	EPF (formerly JHSV)	0						
019	TAO-205 (formerly TAO[X])	0						
020	TAO-205 AP	73.1						
021	TATS	0						
022	Moored training ship	624.5						
023	Moored training ship AP	0						
024	LCU 1700 landing craft	0						
025	Outfitting	666.2				-21.1	-26.2	
026	Ship to Shore Connector	128.1	+165.0			+160.0		
027	Service craft	65.2						
028	LCAC SLEP	1.8	+80.3			+80.3		
029	YP craft	21.4						
030	Completion of prior-year shipbuilding programs	160.3						
031	Polar icebreakers						+1,000.0	
XXX	“Classified Programs”	0				+600.0		
<b>TOTAL</b>		<b>18,354.9</b>	<b>+2,267.0</b>	<b>+71.8</b>		<b>+3,216.0</b>	<b>+2,105.85</b>	

**Source:** Table prepared by CRS based on Navy FY2017 budget submission and committee and conference reports.

**Notes:** Millions of dollars, rounded to nearest tenth. A blank cell indicates no change to requested amount. Totals may not add due to rounding. **AP** is advance procurement funding; **HASC** is House Armed Services Committee; **SASC** is Senate Armed Services Committee; **HAC** is House Appropriations Committee; **SAC** is Senate Appropriations Committee; **Conf.** is conference report.

## FY2017 National Defense Authorization Act (H.R. 4909/S. 2943)

### House (Committee Report)

The House Armed Services Committee, in its report (H.Rept. 114-537 of May 4, 2016) on H.R. 4909, recommends changes to requested FY2017 funding levels that are shown in the HASC column of **Table 9**. Among other things, these changes would

- complete the funding needed for the procurement of the additional DDG-51 destroyer that was partially funded in FY2016 (this funding was not requested for FY2017, but was included in the Navy’s FY2017 unfunded requirements list, or URL);
- fund the procurement of an additional LCS (for a total FY2017 procurement of three LCSs, rather than the two that were requested for FY2017);
- authorize and partially fund the procurement of an additional amphibious ship (either the first LX(R) or a 13<sup>th</sup> LPD-17 class ship; the FY2017 budget did not request the procurement of such a ship in FY2017);

- fund the procurement of three additional Ship to Shore Connector (SSC) landing craft (for a total FY2017 procurement of five SSCs, rather than the two that were requested for FY2017—three additional SSCs were included in the Navy’s FY2017 URL); and
- fund Service Life Extension Program (SLEP) overhauls for four existing LCAC landing craft (the FY2017 budget requested no LCAC SLEPs for FY2017).

**Section 123** of H.R. 4909 as reported states:

SEC. 123. Design and construction of LHA replacement ship designated LHA 8.

(a) In general.—The Secretary of the Navy may enter into a contract, beginning with the fiscal year 2017 program year, for the design and construction of the LHA Replacement ship designated LHA 8 using amounts authorized to be appropriated for the Department of Defense for Shipbuilding and Conversion, Navy.

(b) Use of incremental funding.—With respect to the contract entered into under subsection (a), the Secretary may use incremental funding to make payments under the contract.

(c) Condition for out-year contract payments.—The contract entered into under subsection (a) shall provide that any obligation of the United States to make a payment under such contract for any fiscal year after fiscal year 2017 is subject to the availability of appropriations for that purpose for such fiscal year.

**Section 125** of H.R. 4909 as reported states:

SEC. 125. Ship to shore connector program.

(a) Contract authority.—Notwithstanding section 2306b of title 10, United States Code, the Secretary of the Navy may enter into a contract to procure up to 45 Ship to Shore Connector craft.

(b) Liability.—Any contract entered into under subsection (a) shall provide that any obligation of the United States to make a payment under the contract is subject to the availability of appropriations for that purpose, and that the total liability to the Government for termination of any contract entered into shall be limited to the total amount of funding obligated at time of termination.

**Section 1024** of H.R. 4909 as reported states:

SEC. 1024. Availability of funds for retirement or inactivation of Ticonderoga-class cruisers or dock landing ships.

(a) Limitation on retirement or inactivation.—None of the funds authorized to be appropriated by this Act or otherwise made available for the Department of Defense for fiscal year 2017 may be obligated or expended—

(1) to retire, prepare to retire, or inactivate a cruiser or dock landing ship; or

(2) to place in a modernization status more than six cruisers and one dock landing ship identified in section 1026(a)(2) of the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291; 128 Stat. 3490).

(b) Hull, mechanical, and electrical modernization.—Not more than 75 percent of the funds made available for the Office of the Secretary of Defense for fiscal year 2017 may be obligated until the Secretary of the Navy—

(1) enters into a contract for the modernization industrial period associated with four cruisers and one dock landing ship referred to in section 1026(a)(2) of the Carl Levin and

Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291; 128 Stat. 3490); and

(2) enters into a contract for the procurement of combat systems upgrades associated with six such cruisers and one such dock landing ship.

Regarding Section 1024, a statement of Administration policy on H.R. 4909 as reported states:

Availability of Funds for Retirement or Inactivation of Ticonderoga-Class Cruisers or Dock Landing Ships: The Administration strongly objects to section 1024, which would prohibit obligating or expending FY 2017 funds to retire, prepare to retire, inactivate, or place in storage more than six cruisers and one dock landing ship. This provision would prevent the Navy from executing its phased modernization approach for maintaining an effective cruiser and dock landing ship force structure while balancing scarce operations and maintenance funding. It also would significantly reduce planned savings, accelerate the retirement of all Ticonderoga-Class cruisers, and create obsolescence of Air Defense Commander platforms resulting in a significant surface combatant shortfall in 2030. When compared to the cruiser phased modernization plan proposed in the FY 2017 President’s Budget, the proposed language of this section would require an additional \$3.2 billion across the Future Years Defense Program (FYDP) to fund manpower, maintenance, modernization, and operations.

In addition, the prohibition on obligating more than 75 percent of funds made available for the Office of the Secretary of Defense (OSD) until the Secretary of the Navy enters into ship modernization contracts would require significant reductions in manpower over and above the 25 percent reduction planned in the FY 2017 President’s Budget for OSD, as well as curtailed spending for joint force readiness programs such as the Commanders Exercise and Engagement Training Transformation and the Readiness and Environment Protection Integration Program.<sup>39</sup>

**Section 1042** of H.R. 4909 as reported states:

SEC. 1042. Limitation on retirement, deactivation, or decommissioning of mine countermeasures ships.

Section 1090 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 111–92; 129 Stat. 1016) is amended by striking subsection (b) and inserting the following:

“(b) Limitation on retirement of MCM ships.—

“(1) IN GENERAL.—None of the funds authorized to be appropriated by this Act or otherwise made available for the Department of the Navy for fiscal year 2017 may be obligated or expended to retire, deactivate, decommission, to prepare to retire, deactivate, decommission, or to place in storage backup inventory or reduced operating status any MCM-1 class ship.

“(2) WAIVER AUTHORITY.—

“(A) IN GENERAL.—The Secretary of the Navy may waive the limitation under paragraph (1) with respect to any MCM-1 class ship if the Secretary provides to the congressional defense committees certification that the operational test and evaluation for replacement capabilities for the ship is complete and such capabilities are available in sufficient quantities to ensure sufficient mine countermeasures capacity is available to meet requirements as set forth in the Joint Strategic Capabilities Plan, the campaign plans of the combatant commanders, and the Navy’s Force Structure Assessment.

<sup>39</sup> Executive Office of the President, *Statement of Administration Policy*, H.R. 4909—*National Defense Authorization Act for Fiscal Year 2017*, May 16, 2016, pp. 4-5.

“(B) REPORT.—The first time the Secretary of the Navy exercises the waiver authority under subparagraph (A), the Secretary shall submit to the congressional defense committees a report that includes—

“(i) the recommendations of the Secretary regarding MCM force structure;

“(ii) the recommendations of the Secretary regarding how to ensure the operational effectiveness of the surface MCM force through 2025 based on current capabilities and capacity, replacement schedules, and service life extensions or retirement schedules;

“(iii) an assessment of the MCM vessels, including the decommissioned MCM-1 and MCM-2 ships and the potential of such ships for reserve operating status; and

“(iv) an assessment of the Littoral Combat Ship MCM mission package increment one performance against the initial operational test and evaluation criteria.”.

**Section 1061** of H.R. 4909 as reported states (see parts in bold):

SEC. 1061. Temporary continuation of certain Department of Defense reporting requirements.

(a) Exceptions to reports termination provision.—Section 1080 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 1000; 10 U.S.C. 111 note) does not apply to any report required to be submitted to Congress by the Department of Defense, or by any officer, official, component, or element of the Department, pursuant to a provision of law specified in this section, notwithstanding the enactment of the reporting requirement by an annual national defense authorization Act or the inclusion of the report in the list of reports prepared by the Secretary of Defense pursuant to subsection (c) of such section 1080.

(b) Final termination date for submittal of exempted reports.—

(1) IN GENERAL.—Except as provided in paragraph (2), each report required pursuant to a provision of law specified in this section that is still required to be submitted to Congress as of January 31, 2021, shall no longer be required to be submitted to Congress after that date.

(2) REPORTS EXEMPTED FROM TERMINATION.—The termination dates specified in paragraph (1) and section 1080 of the National Defense Authorization Act for Fiscal Year 2016 do not apply to the following...

(c) Reports required by title 10, United States Code.—Subject to subsection (b), subsection (a) applies to reporting requirements contained in the following sections of title 10, United States Code...

**(9) Section 231, relating to submission of naval vessel construction plan and related certification....**

(d) Reports required by National Defense Authorization Act for Fiscal Year 2015.—Subject to subsection (b), subsection (a) applies to reporting requirements contained in the following sections of the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291)....

**(4) Section 1026(d) (128 Stat. 3490), relating to a report on the status of the modernization of Ticonderoga-class cruisers and dock landing ships....**

(i) Reports required by Other laws.—Subject to subsection (b), subsection (a) applies to reporting requirements contained in the following provisions of law:

(j) Conforming amendment.—Section 1080(a) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 1000; 10 U.S.C. 111 note) is amended—

(1) by striking “on the date that is two years after the date of the enactment of this Act” and inserting “November 25, 2017”; and

(2) by striking “effective”.

**Section 3112** of H.R. 4909 as reported states:

SEC. 3112. Research and development of advanced naval nuclear fuel system based on low-enriched uranium.

(a) Prohibition.—Except as provided in subsection (b), none of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2017 for the Department of Energy may be obligated or expended to plan or carry out research and development of an advanced naval nuclear fuel system based on low-enriched uranium.

(b) Exception.—Of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2017 for defense nuclear nonproliferation, as specified in the funding table in division D, not more than \$5,000,000 shall be made available to the Deputy Administrator for Naval Reactors for initial planning and early research and development of an advanced naval nuclear fuel system based on low-enriched uranium.

(c) Budget matters.—Section 3118 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 1196) is amended—

(1) by striking paragraph (2) of subsection (c) and inserting the following new paragraph:

“(2) BUDGET REQUESTS.—If the Secretaries determine under paragraph (1) that research and development of an advanced naval nuclear fuel system based on low-enriched uranium should continue, the Secretaries shall ensure that each budget of the President submitted to Congress under section 1105(a) of title 31, United States Code, for fiscal year 2018 and each fiscal year thereafter in which such research and development is carried out includes in the budget line item for the ‘Defense Nuclear Nonproliferation’ account amounts necessary to carry out the conceptual plan under subsection (b).”; and

(2) in subsection (d), by striking “for material management and minimization”.

Regarding Section 3112, H.Rept. 114-537 states:

Section 3112—Research and Development of Advanced Naval Nuclear Fuel System  
Based on Low-Enriched Uranium

This section would provide that none of the funds authorized to be appropriated by this Act for the Department of Energy may be used for research and development (R&D) of an advanced naval nuclear fuel system based on low-enriched uranium (LEU). However, this section would also authorize, from within amounts authorized to be appropriated by this Act or otherwise made available for fiscal year 2017 for defense nuclear nonproliferation, \$5.0 million for the Deputy Administrator for Naval Reactors to commence initial planning and early R&D of an advanced naval nuclear fuel system based on LEU for aircraft carriers and submarines.

This section would also amend section 3118 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92) to clarify that, if the Secretary of Energy and the Secretary of the Navy jointly determine to pursue R&D of an advanced naval nuclear fuel system based on LEU, the Secretaries shall ensure that funding for such efforts is requested in fiscal year 2018 and any future fiscal years only within a budget line within defense nuclear nonproliferation.

The committee notes that the Secretary of Energy and the Secretary of the Navy have not yet submitted the determination, which was due in February 2016, as required by section 3118 of Public Law 114–92, regarding whether or not to continue to pursue this R&D program. The committee expects the Secretaries to submit this statutorily required determination expeditiously. The committee also expects that, if the Secretaries make a



determination to continue the program, they carry it out only using funding from within the defense nuclear nonproliferation account. The committee believes such a program would need to fully explore whether an LEU-based fuel could meet military requirements, and assess the implications of such an LEU-based fuel for fleet size and logistics, costs, benefits to nonproliferation goals, lowered security costs, and enabling cutting-edge research for nuclear fuel scientists. The committee is aware of estimates that indicate that developing an LEU naval fuel and determining its viability could cost an estimated \$2.00 billion and take at least 10 to 15 years, and that at least another 10 years (and potentially additional time and funding) beyond that would be required to deploy an operational naval nuclear reactor with this fuel. The committee recognizes the potential benefits of this R&D program, but also notes that resultant costs and operational impacts of such a fuel are also unknown but likely considerable. The committee believes the Secretaries and Congress should carefully weigh the potential opportunities and benefits, as well as the potential risks and costs of this path. (Page 406)

H.Rept. 114-537 also states:

*Cruiser replacement strategy*

The committee notes that the Secretary of the Navy's reluctance to implement congressional direction regarding modernization of the guided missile Ticonderoga-class cruisers is jeopardizing the long-term viability and recapitalization of these ships. Specifically, the committee is concerned that the Secretary's request to obviate the "2-4-6" cruiser modernization plan is hindering efforts to develop a replacement capability for these cruisers, which the Navy has assessed will begin to retire in 2035. The committee supports the Navy's Future Surface Combatant Capability Based Assessment that has been proposed for funding in Cross Platform System Development Research, Development, Test, and Evaluation, Navy PE 0603563N. Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services by March 1, 2017, regarding the overall timeline to develop a replacement strategy for the Ticonderoga-class cruisers in accordance with the retirement timelines included in the "2-4-6" cruiser modernization strategy. (Page 20)

H.Rept. 114-537 also states:

*Expeditionary Mobile Base ship*

The committee notes that the flexible capabilities of the recently renamed Expeditionary Mobile Base (ESB, formerly AFSB) class of ships are increasingly important to Navy and Marine Corps leaders and planners, as is the attractive affordability of this platform. USNS Lewis B. Puller, the first ESB, was delivered in 2015 and represents a flexible platform for a wide-range of missions, including U.S. Marine Corps Special Purpose Marine Air Ground Task Force-Crisis Response (SPMAGTF-CR) and special operations. Three AFSB-ESBs have been funded to date, in addition to two Mobile Landing Platforms (MLPs), formally renamed Expeditionary Transfer Docks. Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services by March 1, 2017, as to how the procurement of additional ships of this class would provide multiple mission requirements around the globe including SPMAGTF-CR and special operations. The committee specifically requests additional analysis as to how this capability is integrated into the overall Navy force structure assessment. (Page 21)

H.Rept. 114-537 also states:

*Landing Craft Air Cushion Service Life Extension Program*

The budget request contained no funds for the Landing Craft Air Cushion (LCAC) Service Life Extension Program. The committee notes that the Department of the Navy budget request for fiscal year 2016 anticipated four craft from the Landing Craft Air

Cushion Service Life Extension Program would be included in the budget request for fiscal year 2017, but due to budgetary constraints the craft were removed during budget deliberations. The committee is concerned about the Department of the Navy's amphibious lift capacity and believes that additional service life extension of existing LCAC assets is warranted. The committee recommends \$80.3 million for the Landing Craft Air Cushion Service Life Extension Program. (Pages 21-22)

H.Rept. 114-537 also states:

*Service Craft*

The committee notes that the budget request for fiscal year 2017 included \$65.2 million for "Service Craft," which consists of \$39.0 million for one Auxiliary Personnel Lighter and \$26.2 million for two Harbor Tugs. The committee is pleased to note the Department of the Navy is addressing the need for Auxiliary Personnel Lighter Berthing Barges and Harbor Tugs. The committee encourages the Navy to consider appropriate small business set-asides for these efforts to maintain the small shipyard industrial base.

*Ship to Shore Connector*

The budget request included \$128.1 million for two Ship to Shore Connectors.

The committee notes that the Department of the Navy budget request for fiscal year 2016 anticipated five Ship to Shore Connectors being requested to support an efficient construction build strategy in fiscal year 2017. However, the committee notes that this program was reduced in the fiscal year 2017 budget request because of budgetary constraints. The committee is concerned about the Department of the Navy's amphibious lift capacity and believes that additional Ship to Shore Connectors are warranted. The committee notes that an additional three Ship to Shore Connectors were also included in the Chief of Naval Operations' unfunded requirements list.

Therefore, the committee recommends \$293.1 million, an increase of \$165.0 million, for procurement of five Ship to Shore Connectors. (Page 23)

## **House (Floor Consideration)**

On May 18, 2016, as part of its consideration of H.R. 4909, the House agreed to by voice vote H.Amdt. 1048, an en bloc amendment that included, inter alia, amendment 113 printed in H.Rept. 114-571 of May 17, 2016, a rule providing for further consideration of H.R. 4909. The text of the amendment is as follows:

At the end of subtitle C of title XXXI, add the following new section:

**SEC. 3111. BRIEFING ON THE INFORMATION-INTERCHANGE OF LOW-ENRICHED URANIUM.**

(a) **BRIEFING.**—Not later than 120 days after the date of the enactment of this Act, the Secretary of Defense, the Secretary of Energy, and the Secretary of State shall provide a briefing to the appropriate congressional committees on the feasibility and potential benefits of a dialogue between the United States and France on the use of low-enriched uranium in naval reactors.

(b) **APPROPRIATE CONGRESSIONAL COMMITTEES.**—In this section, the term "appropriate congressional committees" means—

(1) the congressional defense committees;

(2) the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate;

(3) the Permanent Select Committee on Intelligence of the House of Representatives and the Select Committee on Intelligence of the Senate; and

(4) the Committee on Energy and Commerce of the House of Representatives and the Committee on Energy and Natural Resources of the Senate.

## **Senate**

The Senate Armed Services Committee, in its report (S.Rept. 114-255 of May 18, 2016) on S. 2943, recommends changes to requested FY2017 funding levels that are shown in the SASC column of **Table 9**.

**Section 121** of S. 2943 as reported states:

SEC. 121. Incremental funding for detail design and construction of LHA replacement ship designated LHA 8.

(a) Authority to use incremental funding.—The Secretary of the Navy may enter into and incrementally fund a contract for detail design and construction of the LHA Replacement ship designated LHA 8 and, subject to subsection (b), funds for payments under the contract may be provided from amounts authorized to be appropriated for the Department of Defense for Shipbuilding and Conversion, Navy, for fiscal years 2017 and 2018.

(b) Condition for out-year contract payments.—A contract entered into under subsection (a) shall provide that any obligation of the United States to make a payment under the contract for any subsequent fiscal year is subject to the availability of appropriations for that purpose for such subsequent fiscal year.

**Section 124** of S. 2943 as reported states:

SEC. 124. Limitation on the use of sole source shipbuilding contracts.

(a) Limitation.—None of the funds authorized to be appropriated by this Act or otherwise made available for the Department of Defense for Joint High Speed Vessels (JHSV) or Expeditionary Fast Transports (EPF) may be used to enter into or prepare to enter into a sole source contract unless the Secretary of the Navy submits to the congressional defense committees the certification described in subsection (b) and the report described in subsection (c).

(b) Certification.—A certification described in this subsection is a certification by the Secretary of the Navy that a contract for one or more Joint High Speed Vessels (JHSV) or Expeditionary Fast Transports (EPF)—

(1) is in the national security interest of the United States;

(2) will not result in exceeding the requirement for the ship class, as delineated in the most recent Navy Force Structure Assessment;

(3) will use a fixed-price contract;

(4) will include a fair and reasonable contract price, as determined at the discretion of the Service Acquisition Executive; and

(5) will provide for government purpose data rights of the ship design.

(c) Report.—A report described in this subsection is a report that contains the following elements:

(1) The basis for awarding a non-competitive sole source contract.

(2) A description of courses of action to achieve competitive ship or component-level contract awards in the future, should additional ships in the class be procured, including

for each such course of action, a notional implementation schedule and associated cost savings, as compared to a sole source award.

Regarding Section 124, S.Rept. 114-255 states:

**Limitation on the use of sole source shipbuilding contracts (sec. 124)**

The committee recommends a provision that would prohibit funds from being used to enter into or prepare to enter into sole source contracts for one or more Joint High Speed Vessels (JHSV) or Expeditionary Fast Transports (EPF) unless the Secretary of the Navy submits to the congressional defense committees a certification and a report.

The committee notes appropriations have been made in the past 2 years for JHSVs (now called EPFs) that were not requested by the President's budget or authorized by a National Defense Authorization Act. Since 2011, the Navy requirement for EPFs has been 10 ships. In 2013, this requirement was met with the procurement of the tenth EPF and the Navy planned to shut down the production line. Without an authorization or request in the President's budget, procurement of an eleventh EPF at a cost of \$200.0 million was inserted in the Department of Defense Appropriations Act for Fiscal Year 2015 (Public Law 113-235). Again without an authorization or request in the President's budget, a twelfth EPF was inserted at a cost of \$225.0 million in the Department of Defense Appropriations Act for Fiscal Year 2016 (Public Law 114-113). Both of these EPFs were awarded to a single shipbuilder with no competition on a sole source contract.

Therefore, this provision would require the Secretary of the Navy to submit a certification that, beginning with the EPF designated EPF 11, a sole source contract for one or more EPFs: (1) is in the national security interest of the United States; (2) will not result in exceeding the requirement for the ship class, as delineated in the most recent Navy Force Structure Assessment that currently stands at 308 ships, including 10 EPFs; (3) will use a fixed price contract; (4) will include a fair and reasonable contract price as determined at the discretion of the Service Acquisition Executive; and (5) will provide for government purpose data rights of the ship design.

In addition, the Secretary of the Navy would also be required to submit a report that includes: (1) the basis for awarding a noncompetitive sole source contract and (2) a description of courses of action to achieve competitive ship or component-level contract awards in the future, should additional ships in the class be procured, including for each such course of action, a notional implementation schedule and associated cost savings, as compared to a sole source award. (Page 10)

**Section 1011** of S. 2943 as reported states:

SEC. 1011. Availability of funds for retirement or inactivation of cruisers or dock landing ships.

(a) Limitation on availability of funds.—Except as provided in subsections (b) through (g), none of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2017 may be obligated or expended to retire, prepare to retire, or inactivate a TICONDEROGA-class cruiser, WHIDBEY ISLAND-class dock landing ship, or HARPERS FERRY-class dock landing ship.

(b) Certification of requirement for operational cruisers and dock landing ships.—The Chief of Naval Operations shall certify to the congressional defense committees the Navy requirement for operational cruisers and dock landing ships, as provided under subsection (d)(1), from fiscal year 2017 through fiscal year 2030. The certification shall also state the requirement for basic (BMD 3.X), intermediate (BMD 4.X), and advanced (BMD 5.X) ballistic missile defense capability on operational cruisers from fiscal year 2017 through fiscal year 2030.

(c) Ship modernization, operations, and sustainment fund (smosf).—Funds within the Ship Modernization, Operations, and Sustainment Fund (SMOSF) shall only be used for 11 TICONDEROGA-class cruisers (CG–63 through CG–73) and 3 WHIDBEY ISLAND-class dock landing ships (LSD–41, LSD–42, and LSD–46).

(d) Phased modernization.—The Secretary of the Navy shall retain the current inventory of 22 TICONDEROGA-class cruisers and 12 WHIDBEY ISLAND- or HARPERS FERRY-class dock landing ships until the end of their service lives, as follows:

(1) OPERATIONAL FORCES.—Through fiscal year 2030, the Navy shall maintain not less than the Chief of Naval Operations’ requirement for operational cruisers certified under subsection (b) or 11 operational cruisers, whichever is greater. The Navy shall maintain no less than the Chief of Naval Operations’ requirement for dock landing ships certified under subsection (b) or 9 operational dock landing ships, whichever is greater.

(2) PHASED MODERNIZATION.—The Navy is authorized to conduct phased modernization of not more than 11 cruisers and 3 dock landing ships. During the phased modernization period, the Navy may reduce manning on these ships to the minimal level necessary to ensure safety and security of the ship and to retain critical skills. Only the ships listed in subsection (c) may undergo phased modernization. Ships undergoing phased modernization shall comply with subsection (e).

(3) TRANSITION FROM PHASED MODERNIZATION TO OPERATIONAL FORCES.—Each of the cruisers described under paragraph (1) may be decommissioned at the end of its service life concurrent with being replaced by a cruiser that completes phased modernization pursuant to paragraph (2). After being reintroduced into the operational fleet, each of the cruisers modernized pursuant to paragraph (2) may be decommissioned upon reaching its expected service life.

(4) AVAILABILITY FOR WORLDWIDE DEPLOYMENT.—For purposes of this subsection, an operational cruiser or dock landing ship is available for worldwide deployment other than during routine or scheduled maintenance or repair.

(e) Requirements and limitations on phased modernization.—

(1) IN GENERAL.—During the period of phased modernization authorized under subsection (d), the Secretary of the Navy shall—

(A) continue to maintain the ships in a manner that will ensure the ability of the ships to re-enter the operational fleet in accordance with paragraph (3) of such subsection;

(B) conduct planning activities to ensure scheduled and deferred maintenance and modernization work items are identified and included in maintenance availability work packages;

(C) conduct hull, mechanical, and electrical (HM&E) and combat system modernization necessary to achieve a service life of 40 years;

(D) conduct basic (BMD 3.X), intermediate (BMD 4.X), and advanced (BMD 5.X) ballistic missile defense capability upgrades to meet or exceed the Chief of Naval Operations’ requirement certified under subsection (b); and

(E) complete maintenance and modernization of the cruisers, including required testing and crew training, to allow for a one-for-one replacement of operational cruisers in accordance with subsection (d)(3).

(2) RESTRICTED ACTIVITIES.—During the period of phased modernization authorized under subsection (d), the Secretary of the Navy may not—

(A) permit removal or cannibalization of equipment or systems, unless planned for full replacement or upgrade during phased modernization, other than equipment or systems explicitly identified as—

(i) rotatable pool equipment; or

(ii) necessary to support urgent operational requirements approved by the Secretary of Defense;

(B) make any irreversible modifications that will prohibit the ship from re-entering the operational fleet;

(C) through fiscal year 2030, reduce the quantity of operational cruisers below the number certified to be required by the Chief of Naval Operations under subsection (b) or 11 operational cruisers, whichever is greater;

(D) through fiscal year 2030, reduce the quantity of operational dock landing ships below the number certified to be required by the Chief of Naval Operations under subsection (b) or 9 operational dock landing ships, whichever is greater; and

(E) through fiscal year 2030, reduce the basic, intermediate, or advanced ballistic missile defense capability on operational cruisers below the quantities certified to be required by the Chief of Naval Operations under subsection (b).

(f) Report required.—The Secretary of the Navy shall submit to the congressional defense committees an annual report on the status of the phased modernization program. This report shall accompany the budget of the President submitted to Congress under section 1105(a) of title 31, United States Code. The report shall include, with respect to the ships undergoing phased modernization pursuant to subsection (d)(2), the following information:

(1) The status of modernization efforts, by vessel, including availability schedules, equipment procurement schedules, and annual funding requirements from the fiscal year of induction into the phased modernization program through the fiscal year of planned re-entry into the operational fleet.

(2) Each vessel's current readiness, operational, and manning status.

(3) An assessment of each vessel's current materiel condition.

(4) A list of rotatable pool equipment that is identified across the classes of cruisers and dock landing ships as necessary to support operations on a continuing basis.

(5) A list of equipment, other than rotatable pool equipment, removed from each vessel, including a justification for the removal, the disposition of the equipment, and plan for restoration of the equipment.

(6) A list of planned obligations and expenditures, by vessel, for the fiscal year of the budget of the President submitted to Congress.

(g) Notification required.—The Secretary of the Navy shall notify the congressional defense committees in writing 30 days prior to executing any deviations to the plans provided pursuant to paragraphs (1) and (6) of subsection (f) of the most recent report required under such subsection.

Regarding Section 1011, S.Rept. 114-255 states:

**Availability of funds for retirement or inactivation of cruisers or dock landing ships (sec. 1011)**

The committee recommends a provision that would prohibit fiscal year 2017 funds from being used to retire, prepare to retire, or inactivate a Ticonderoga-class cruiser, Whidbey Island-class dock landing ship, or Harpers Ferry-class dock landing ship, unless prescribed criteria are met.



First, the Chief of Naval Operations would be required to certify to the congressional defense committees the requirement for operational cruisers, dock landing ships, and ballistic missile defense-capable cruisers from fiscal year 2017 through 2030.

Second, funds within the Ship Modernization, Operations, and Sustainment Fund (SMOSF) could only be used for 11 Ticonderogaclass cruisers (CG-63 through CG-73) and 3 Whidbey Island-class dock landing ships (LSD-41, LSD-42, and LSD-46).

Third, the Secretary of the Navy would be required to retain the current inventory of 22 cruisers and 12 dock landing ships until the end of their service lives with the following restrictions. Through fiscal year 2030, the Navy would be required to maintain not less than the Chief of Naval Operations' requirement for operational cruisers or 11 operational cruisers, whichever is greater. The Navy would be required to maintain not less than the Chief of Naval Operations' requirement for dock landing ships or 9 operational dock landing ships, whichever is greater. The Navy would be authorized to conduct phased modernization of not more than 11 cruisers and 3 dock landing ships.

Fourth, the Secretary of the Navy would be required to adhere to five requirements and five restrictions during the phased modernization period.

Fifth, the Secretary of the Navy would be required to submit an annual report with the President's budget on the status of the phased modernization program.

Sixth, the Secretary of the Navy would be required to notify the congressional defense committees in writing 30 days prior to executing any deviations to the plans provided in the most recent annual report.

The committee does not support a smaller fleet and notes the Navy stands at 272 ships this year, far below the 308 ship requirement. However, the committee does recognize the fiscal pressure the Navy is under to maintain the readiness of the current force while continuing to modernize for future threats, including the requirement to procure the Ohio-class replacement submarine program. The committee also notes the Navy has fully funded this budget request's phased modernization plan, unlike past budget submissions. The committee would not be supportive of any effort to decommission any cruiser or dock landing ship earlier than provided for in this provision and views this provision as necessary to ensure the ships that enter phased modernization are returned to service. (Pages 264-265)

S.Rept. 114-255 also states:

**Shipbuilding guarantees**

The committee is concerned with the efficacy of the Navy's use of guarantees in its shipbuilding contracts. In March 2016, the Government Accountability Office (GAO) found that as a result of the Navy's contract type and terms, the government is paying shipbuilders profit to repair defects that were determined to be the shipbuilders' responsibility. The GAO recommended several actions aimed at improving the use of guarantees in Navy shipbuilding, including limiting profit for the correction of shipbuilder responsible defects.

The committee understands the Navy agreed to study the issues in the GAO report and publish a complete response coordinated with the Office of the Secretary of Defense by September 30, 2016. The committee directs the Secretary of the Navy to provide the congressional defense committees the complete response at the same time this study is provided to the GAO. Further, as recommend by the GAO, in arrangements where the shipbuilder is paid to correct defects, the committee directs the Secretary of the Navy to structure contract terms such that shipbuilders do not earn profit for correcting construction deficiencies following delivery that are determined to be the shipbuilder's responsibility. (Pages 37-38)



S.Rept. 114-255 also states:

**Public shipyard funding and capital investment to support defense operations**

The committee notes that ongoing operational demands for Navy ships remain high and continue to increase, with some key current demands going unmet. The committee recognizes that the Navy is working to maximize the operational availability of the existing fleet and rebuild its warfighting readiness after more than a decade of continued deployments. The Navy has identified shipyard performance—namely the ability to complete maintenance availabilities on time—as one of the key risks to its plans to maximize the availability of the fleet.

The committee notes that any delay in completing a maintenance availability results in lost operational days for Navy ships, which in turn compresses time available for training and reduces ships’ operational availability to combatant commanders. Maintenance delays also can lead to unsustainable risk mitigation strategies such as deferring maintenance and extending deployments which can jeopardize reaching ships’ service lives and retention of the force.

In the late 1990s, the Navy converted its shipyards from financing under the Navy Working Capital Fund to funding through direct appropriations, referred to as “mission funding”. In 2010, the Government Accountability Office found that the Navy had experienced unfunded shore readiness that contributed to growth in the backlog of capital investments at the shipyards and noted that the average age of facilities and drydocks was 61 and 81 years old, respectively. The ability of the shipyards to meet their mission—keeping the fleet operational—depends on maintaining the shipyards’ infrastructure and equipment, and to do this the Navy and the committee need an accurate picture of whether the Navy has the means to accomplish this so the committee can best exercise oversight and make knowledgeable funding decisions.

Accordingly, the committee directs the Comptroller General of the United States to evaluate: (1) the impact, if any, the change from working capital funding to mission funding has had on shipyard capital investment and performance and (2) the extent, if any, the Navy’s shipyard planning has addressed its restoration and modernization needs to support operational readiness. The Comptroller General may also include other related matters as deemed appropriate.

The committee further directs the Comptroller General to brief the Committees on Armed Services of the Senate and the House of Representatives no later than March 30, 2017, on preliminary findings of the Comptroller General’s evaluation with a report to follow by May 15, 2017. (Page 121)

## **FY2017 DOD Appropriations Act (H.R. 5293/S. 3000)**

### **House**

The House Appropriations Committee, in its report (H.Rept. 114-577 of May 19, 2016) on S. 2943, recommends changes to requested FY2017 funding levels that are shown in the HAC column of **Table 9**. Among other things, these changes would

- complete the funding needed for the procurement of the additional DDG-51 destroyer that was partially funded in FY2016 (this funding was not requested for FY2017, but was included in the Navy’s FY2017 unfunded requirements list, or URL);
- fund the procurement of an additional LCS (for a total FY2017 procurement of three LCSs, rather than the two that were requested for FY2017);

- fund the procurement of an LX(R) amphibious ship (the FY2017 budget did not request the procurement of such a ship in FY2017);
- fund the procurement of three additional Ship to Shore Connector (SSC) landing craft (for a total FY2017 procurement of five SSCs, rather than the two that were requested for FY2017—three additional SSCs were included in the Navy’s FY2017 URL);
- fund Service Life Extension Program (SLEP) overhauls for four existing LCAC landing craft (the FY2017 budget requested no LCAC SLEPs for FY2017); and
- provide \$600 million in additional funding for “classified programs.”

**Section 8069** of H.R. 5293 as reported appropriates funding for completion of prior-year shipbuilding programs (i.e., line 030 of **Table 9**).

**Section 8124** of H.R. 5293 as reported states:

SEC. 8124. Of the funds previously appropriated for the “Ship Modernization, Operations and Sustainment Fund”, the Secretary of the Navy may transfer such funds to appropriations for research, development, test and evaluation; and procurement, only for the purposes of sustaining, equipping, and modernizing the Ticonderoga-class guided missile cruisers CG-63, CG-64, CG-65, CG-66, CG-67, CG-68, CG-69, CG-70, CG-71, CG-72, CG-73, and the Whidbey Island-class dock landing ships LSD-41, LSD-42, and LSD-46: Provided, That funds transferred shall be merged with and be available for the same purposes and for the same time period as the appropriation to which they are transferred: Provided further, That the transfer authority provided herein shall be in addition to any other transfer authority provided in the Act: Provided further, That the Secretary of the Navy shall, not less than 30 days prior to making any transfer from the “Ship Modernization, Operations and Sustainment Fund”, notify the congressional defense committees in writing of the details of such transfer: Provided further, That the Secretary of the Navy shall transfer and obligate funds from the “Ship Modernization, Operations and Sustainment Fund” for modernization of not more than two Ticonderoga-class guided missile cruisers: Provided further, That no more than six Ticonderoga-class guided missile cruisers shall be in a phased modernization at any time: Provided further, That the Secretary of the Navy shall contract for the required modernization equipment in the year prior to in ducting a Ticonderoga-class cruiser for modernization: Provided further, That the prohibition in section 2244a(a) of title 10, United States Code, shall not apply to the use of any funds transferred pursuant to this section.

In connection with Section 8124, H.Rept. 114-577 states:

#### CRUISER MODERNIZATION

The Committee is disappointed that the Navy’s fiscal year 2017 budget request is once again attempting to renegotiate the terms for the modernization of the 22 remaining Ticonderoga-class cruisers. The position of this Committee, as well as the entire Congress, is very clear and has been stated repeatedly over the last four years. The Committee remains adamant that the Navy will not lay up half of the remaining cruisers for an extended period of time. The Navy’s own stated requirement for guided missile cruisers in the 30 year shipbuilding plan remains steady at 22. The requirement is not for eleven cruisers in an extended lay-up status while eleven others continue to operate. The Secretary of the Navy has repeatedly stated his desire to increase the size of the fleet, yet placing half of the Navy’s cruisers, the centerpiece of area air defense for the Navy’s carrier battlegroups, would seem to contradict any desire to build up the fleet. Therefore, the bill once again contains a provision that provides the Secretary of the Navy explicit direction for how to conduct the cruiser modernization program—no more than two cruisers may enter a modernization period each year, the modernization period for each cruiser may last no longer than four years, and there can only be a maximum of six ships

in a modernization period at any one time. The Committee understands that the Navy has sufficient funding remaining in the Ship Modernization, Operations, and Sustainment Fund to further these efforts in fiscal year 2017. Further, the Committee directs the Secretary of the Navy to brief the congressional defense committees quarterly on the status of each of the 22 Ticonderoga class cruisers to ensure that these ships are being operated appropriately and as a way for the committees to ensure that the Navy is not attempting to sidestep the intent of the committees by keeping the ships in extended alongside availabilities.

Additionally, the Committee expects the Secretary of the Navy to comply with these statutorily directed rules for cruiser modernization in future budget submissions. (Page 156)

Regarding Section 8124, a June 14, 2016, statement of Administration policy on H.R. 5293 as reported states:

*Availability of Funds for Retirement or Inactivation of Ticonderoga-Class Cruisers or Dock Landing Ships.* The Administration strongly objects to section 8124 of the bill, which would prohibit the Navy from executing its phased modernization approach for maintaining an effective cruiser and dock landing ship force structure while balancing scarce operating and maintenance funding. It also would significantly reduce planned savings and accelerate the retirement of all Ticonderoga-Class cruisers. The Navy's current requirement for active large surface combatants includes 11 Air Defense Commander ships, one assigned to each of the active carrier strike groups. This requirement is met by the modernization plan proposed in the FY 2017 Budget request. Furthermore, section 8124 would require an additional \$3.2 billion across the Future Years Defense Program (FYDP) to fund manpower, maintenance, modernization, and operations when compared to the FY 2017 Budget request.<sup>40</sup>

## Senate

The Senate Appropriations Committee, in its report (S.Rept. 114-263 of May 26, 2016) on S. 3000, recommends changes to requested FY2017 funding levels that are shown in the SAC column of **Table 9**. Among other things, these changes would

- complete the funding needed for the procurement of the additional DDG-51 destroyer that was partially funded in FY2016 (this funding was not requested for FY2017, but was included in the Navy's FY2017 unfunded requirements list, or URL);
- fund the procurement of an additional LCS (for a total FY2017 procurement of three LCSs, rather than the two that were requested for FY2017); and
- fund the procurement of a polar icebreaker for the Coast Guard.<sup>41</sup>

S.Rept. 114-263 states:

### SHIP MODERNIZATION, OPERATIONS AND SUSTAINMENT FUND

The Department of Defense Appropriations Act, 2013 (Public Law 112–175) established the Ship Modernization, Operations and Sustainment Fund [SMOSF] and provided full funding, as identified by the Navy, for the succeeding two fiscal years to man, operate,

<sup>40</sup> Executive Office of the President, *Statement of Administration Policy*, H.R. 5293—*Department of Defense Appropriations Act, 2017*, June 14, 2016, p. 3.

<sup>41</sup> For more on the polar icebreaker program, see CRS Report RL34391, *Coast Guard Polar Icebreaker Modernization: Background and Issues for Congress*, by Ronald O'Rourke.

sustain, upgrade, equip, and modernize seven cruisers and two dock landing ships. At the time, the Congress was concerned with the Navy's proposal to prematurely retire capable and relevant ships and supported a temporary bridge fund for these ships until the Navy could budget for the routine costs to operate and modernize them in subsequent budgets. Congressional direction limited the \$2,378,000,000 provided in fiscal year 2013 to only those ships or hull numbers that the Navy proposed for premature retirement in the budget submission. According to the Navy, their retirement proposal was strictly driven by fiscal constraints. Despite the additional funding and strong congressional direction, the Navy failed to obligate within 2 years the majority of SMOSF resources provided in Public Law 112–175.

With submission of the fiscal year 2015 budget request, the Navy included a new proposal to remove 11 Ticonderoga-class guided missile cruisers and three amphibious dock landing ships from the operational fleet and lay them up for several years under a phased modernization plan. The Department of Defense Appropriations Act, 2015 (Public Law 113–235) rejected this proposal and instead recommended a modified modernization plan that was consistent the Navy's proposal to expand application of unobligated SMOSF resources to four additional cruisers and an additional dock landing ship. In addition, the fiscal year 2015 agreement included an increase of \$540,000,000 in the SMOSF to support this new direction. The Committee notes, however, that the Navy continues to obligate funds at a slower than expected rate.

The Navy's fiscal year 2017 budget submission, once again, deviates from congressional direction and proposes to change the modernization lay-up and phasing plan while continuing to utilize SMOSF resources. Given that the Navy has repeatedly ignored congressional direction over the past 4 years and continues to make changes to how SMOSF resources are applied, the Committee rescinds \$1,317,300,000 from funds remaining available for obligation in the SMOSF account. The Committee recommends an increase of \$183,000,000 in the Operation and Maintenance, Navy account and \$101,500,000 in the Other Procurement, Navy account to support cruiser and dock landing ship modernization efforts in fiscal year 2017. The Committee expects the Navy to utilize these funds for their congressionally directed purpose during fiscal year 2017 and to fully fund for all manpower, readiness, and modernization activities associated with cruiser and dock landing ships in the traditional appropriations accounts with the fiscal year 2018 budget request. (Pages 10-11)

S.Rept. 114-263 also states:

*Expeditionary Fast Transport [EFT].*—The Department of Defense Appropriations Act, 2016 (Public Law 114–113) provided funds for a 12th Expeditionary Fast Transport ship, formerly known as the Joint High Speed Vessel. The Committee has supported the construction of additional EFTs and notes a previous requirement for 18 ships. The Department decided to assume risk with the overall ship requirement due to fiscal constraints and reduced the program procurement objective when it submitted its budget for fiscal year 2013. As these ships are deployed, the Committee understands that Combatant and Fleet Commanders are identifying additional missions for the ships since they provide a means for fast intra-theater transportation of troops, military vehicles and equipment which thereby free up the more limited high-end platforms for more appropriate missions. While the Committee does not recommend funding for an additional ship in fiscal year 2017, the Committee supports a Navy reassessment of the overall procurement objective to determine if there is a requirement for more ships to meet Fleet demand. (Page 99)

## **Appendix A. Comparing Past Ship Force Levels to Current or Potential Future Ship Force Levels**

In assessing the appropriateness of the current or potential future number of ships in the Navy, observers sometimes compare that number to historical figures for total Navy fleet size. Historical figures for total fleet size, however, can be a problematic yardstick for assessing the appropriateness of the current or potential future number of ships in the Navy, particularly if the historical figures are more than a few years old, because

- the missions to be performed by the Navy, the mix of ships that make up the Navy, and the technologies that are available to Navy ships for performing missions all change over time; and
- the number of ships in the fleet in an earlier year might itself have been inappropriate (i.e., not enough or more than enough) for meeting the Navy's mission requirements in that year.

Regarding the first bullet point above, the Navy, for example, reached a late-Cold War peak of 568 battle force ships at the end of FY1987,<sup>42</sup> and as of September 21, 2016, included a total of 276 battle force ships. The FY1987 fleet, however, was intended to meet a set of mission requirements that focused on countering Soviet naval forces at sea during a potential multi-theater NATO-Warsaw Pact conflict, while the September 2016 fleet is intended to meet a considerably different set of mission requirements centered on influencing events ashore by countering both land- and sea-based military forces of potential regional threats other than Russia, including improved Chinese military forces and non-state terrorist organizations. In addition, the Navy of FY1987 differed substantially from the September 2016 fleet in areas such as profusion of precision-guided air-delivered weapons, numbers of Tomahawk-capable ships, and the sophistication of C4ISR systems and networking capabilities.<sup>43</sup>

In coming years, Navy missions may shift again, and the capabilities of Navy ships will likely have changed further by that time due to developments such as more comprehensive implementation of networking technology, increased use of ship-based unmanned vehicles, and the potential fielding of new types of weapons such as lasers or electromagnetic rail guns.

The 568-ship fleet of FY1987 may or may not have been capable of performing its stated missions; the 276-ship fleet of September 2016 may or may not be capable of performing its stated missions; and a fleet years from now with a certain number of ships may or may not be capable of performing its stated missions. Given changes over time in mission requirements, ship mixes, and technologies, however, these three issues are to a substantial degree independent of one another.

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<sup>42</sup> Some publications have stated that the Navy reached a peak of 594 ships at the end of FY1987. This figure, however, is the total number of active ships in the fleet, which is not the same as the total number of battle force ships. The battle force ships figure is the number used in government discussions of the size of the Navy. In recent years, the total number of active ships has been larger than the total number of battle force ships. For example, the Naval History and Heritage Command (formerly the Naval Historical Center) states that as of November 16, 2001, the Navy included a total of 337 active ships, while the Navy states that as of November 19, 2001, the Navy included a total of 317 battle force ships. Comparing the total number of active ships in one year to the total number of battle force ships in another year is thus an apples-to-oranges comparison that in this case overstates the decline since FY1987 in the number of ships in the Navy. As a general rule to avoid potential statistical distortions, comparisons of the number of ships in the Navy over time should use, whenever possible, a single counting method.

<sup>43</sup> C4ISR stands for command and control, communications, computers, intelligence, surveillance, and reconnaissance.

For similar reasons, trends over time in the total number of ships in the Navy are not necessarily a reliable indicator of the direction of change in the fleet's ability to perform its stated missions. An increasing number of ships in the fleet might not necessarily mean that the fleet's ability to perform its stated missions is increasing, because the fleet's mission requirements might be increasing more rapidly than ship numbers and average ship capability. Similarly, a decreasing number of ships in the fleet might not necessarily mean that the fleet's ability to perform stated missions is decreasing, because the fleet's mission requirements might be declining more rapidly than numbers of ships, or because average ship capability and the percentage of time that ships are in deployed locations might be increasing quickly enough to more than offset reductions in total ship numbers.

Regarding the second of the two bullet points above, it can be noted that comparisons of the size of the fleet today with the size of the fleet in earlier years rarely appear to consider whether the fleet was appropriately sized in those earlier years (and therefore potentially suitable as a yardstick of comparison), even though it is quite possible that the fleet in those earlier years might not have been appropriately sized, and even though there might have been differences of opinion among observers at that time regarding that question. Just as it might not be prudent for observers years from now to tacitly assume that the 271-ship Navy of September 2015 was appropriately sized for meeting the mission requirements of 2015, even though there were differences of opinion among observers on that question (as reflected, for example, in **Table 8**), simply because a figure of 271 ships appears in the historical records for 2014, so, too, might it not be prudent for observers today to tacitly assume that the number of ships of the Navy in an earlier year was appropriate for meeting the Navy's mission requirements that year, even though there might have been differences of opinion among observers at that time regarding that question, simply because the size of the Navy in that year appears in a table like **Table D-1**.

Previous Navy force structure plans, such as those shown in **Table 1**, might provide some insight into the potential adequacy of a proposed new force-structure plan, but changes over time in mission requirements, technologies available to ships for performing missions, and other force-planning factors, as well as the possibility that earlier force-structure plans might not have been appropriate for meeting the mission demands of their times, suggest that some caution should be applied in using past force structure plans for this purpose, particularly if those past force structure plans are more than a few years old. The Reagan-era plan for a 600-ship Navy, for example, was designed for a Cold War set of missions focusing on countering Soviet naval forces at sea, which is not an appropriate basis for planning the Navy today, and there was considerable debate during those years as to the appropriateness of the 600-ship goal.<sup>44</sup>

<sup>44</sup> Navy force structure plans that predate those shown in **Table 1** include the Reagan-era 600-ship plan of the 1980s, the Base Force fleet of more than 400 ships planned during the final two years of the George H. W. Bush Administration, the 346-ship fleet from the Clinton Administration's 1993 Bottom-Up Review (or BUR, sometimes also called Base Force II), and the 310-ship fleet of the Clinton Administration's 1997 QDR. The table below summarizes some key features of these plans.

**Features of Recent Navy Force Structure Plans**

Plan	600-ship	Base Force	1993 BUR	1997 QDR
<b>Total ships</b>	~600	~450/416 <sup>a</sup>	346	~305/310 <sup>b</sup>
<b>Attack submarines</b>	100	80/~55 <sup>c</sup>	45-55	50/55 <sup>d</sup>
<b>Aircraft carriers</b>	15 <sup>e</sup>	12	11+1 <sup>f</sup>	11+1 <sup>f</sup>
<b>Surface combatants</b>	242/228 <sup>g</sup>	~150	~124	116
<b>Amphibious ships</b>	~75 <sup>h</sup>	51 <sup>i</sup>	41 <sup>i</sup>	36 <sup>i</sup>

**Source:** Prepared by CRS based on DOD and U.S. Navy data.  
(continued...)



## Appendix B. Independent Panel Assessment of 2010 QDR

The law that requires DOD to perform QDRs once every four years (10 U.S.C. 118) states that the results of each QDR shall be assessed by an independent panel. The report of the independent panel that assessed the 2010 QDR was released on July 29, 2010. The independent panel's report recommended a Navy of 346 ships, including 11 aircraft carriers and 55 attack submarines.<sup>45</sup> The report stated the following, among other things:

- “The QDR should reflect current commitments, but it must also plan effectively for potential threats that could arise over the next 20 years... we believe the 2010 QDR did not accord sufficient priority to the need to counter anti-access challenges, strengthen homeland defense (including our defense against cyber threats), and conduct post-conflict stabilization missions.” (Page 54)
- “In this remarkable period of change, global security will still depend upon an American presence capable of unimpeded access to all international areas of the Pacific region. In an environment of ‘anti-access strategies,’ and assertions to create unique ‘economic and security zones of influence,’ America’s rightful and historic presence will be critical. To preserve our interests, the United States will need to retain the ability to transit freely the areas of the Western Pacific for security and economic reasons. Our allies also depend on us to be fully present in the Asia-Pacific as a promoter of stability and to ensure the free flow of commerce. A robust U.S. force structure, largely rooted in maritime strategy but including other necessary capabilities, will be essential.” (Page 51)
- “The United States will need agile forces capable of operating against the full range of potential contingencies. However, the need to deal with irregular and hybrid threats will tend to drive the size and shape of ground forces for years to come, whereas the need to continue to be fully present in Asia and the Pacific and other areas of interest will do the same for naval and air forces.” (Page 55)
- “The force structure in the Asia-Pacific needs to be increased. In order to preserve U.S. interests, the United States will need to retain the ability to transit freely the areas of the Western Pacific for security and economic reasons. The

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(...continued)

- a. Commonly referred to as 450-ship plan, but called for decreasing to 416 ships by end of FY1999.
- b. Original total of about 305 ships was increased to about 310 due to increase in number of attack submarines to 55 from 50.
- c. Plan originally included 80 attack submarines, but this was later reduced to about 55.
- d. Plan originally included 50 attack submarines but this was later increased to 55.
- e. Plus one additional aircraft carrier in the service life extension program (SLEP).
- f. Eleven active carriers plus one operational reserve carrier.
- g. Plan originally included 242 surface combatants but this was later reduced to 228.
- h. Number needed to lift assault echelons of one Marine Expeditionary Force (MEF) plus one Marine Expeditionary Brigade (MEB).
- i. Number needed to lift assault echelons of 2.5 MEBs. Changing numbers needed to meet this goal reflect in part changes in the design and capabilities of amphibious ships.

<sup>45</sup> Stephen J. Hadley and William J. Perry, co-chairmen, et al., *The QDR in Perspective: Meeting America’s National Security Needs In the 21<sup>st</sup> Century, The Final Report of the Quadrennial Defense Review Independent Panel*, Washington, 2010, Figure 3-2 on page 58.



United States must be fully present in the Asia-Pacific region to protect American lives and territory, ensure the free flow of commerce, maintain stability, and defend our allies in the region. A robust U.S. force structure, one that is largely rooted in maritime strategy and includes other necessary capabilities, will be essential.” (Page 66)

- “Force structure must be strengthened in a number of areas to address the need to counter anti-access challenges, strengthen homeland defense (including defense against cyber threats), and conduct post-conflict stabilization missions: First, as a Pacific power, the U.S. presence in Asia has underwritten the regional stability that has enabled India and China to emerge as rising economic powers. The United States should plan on continuing that role for the indefinite future. The Panel remains concerned that the QDR force structure may not be sufficient to assure others that the United States can meet its treaty commitments in the face of China’s increased military capabilities. Therefore, we recommend an increased priority on defeating anti-access and area-denial threats. This will involve acquiring new capabilities, and, as Secretary Gates has urged, developing innovative concepts for their use. Specifically, we believe the United States must fully fund the modernization of its surface fleet. We also believe the United States must be able to deny an adversary sanctuary by providing persistent surveillance, tracking, and rapid engagement with high-volume precision strike. That is why the Panel supports an increase in investment in long-range strike systems and their associated sensors. In addition, U.S. forces must develop and demonstrate the ability to operate in an information-denied environment.” (Pages 59-60)
- “To compete effectively, the U.S. military must continue to develop new conceptual approaches to dealing with operational challenges, like the Capstone Concept for Joint Operations (CCJO). The Navy and Air Force’s effort to develop an Air-Sea Battle concept is one example of an approach to deal with the growing anti-access challenge. It will be necessary to invest in modernized capabilities to make this happen. The Chief of Naval Operations and Chief of Staff of the Air Force deserve support in this effort, and the Panel recommends the other military services be brought into the concept when appropriate.” (Page 51; a similar passage appears on page 67)

In recommending a Navy of 346 ships, the independent panel’s report cited the 1993 Bottom-Up Review (BUR) of U.S. defense plans and policies. **Table B-1** compares the Navy’s 308-ship goal of March 2015 to the 346-ship Navy recommended in the 1993 BUR (as detailed partly in subsequent Navy testimony and publications) and the ship force levels recommended in the independent panel report.

**Table B-1. Comparison of Navy's 308-ship goal, Navy Plan from 1993 BUR, and Navy Plan from 2010 QDR Review Panel**

Ship Type	Navy's 308-ship goal of March 2015	Bottom-Up Review (BUR) (1993)	2010 QDR Independent Review Panel (July 2010)
SSBNs	12	18 (SSBN force was later reduced to 14 as a result of the 1994 Nuclear Posture Review)	14
SSGNs	0	0 (SSGN program did not yet exist)	4
SSNs	48	45 to 55 (55 in FY99, with a long-term goal of about 45)	55
Aircraft carriers	11	11 active + 1 operational/reserve	11 active
Surface combatants	140	124 (114 active + 10 frigates in Naval Reserve Force; a total of 110-116 active ships was also cited)	n/a
<i>Cruisers and destroyers</i>	88	n/a	n/a
<i>Frigates (modified LCSs)</i>	20	n/a	n/a
LCSs	32	0 (LCS program did not exist)	n/a
Amphibious ships	34 (30 operational ships needed to lift 2.0 MEBs)	41 (Enough to lift 2.5 MEBs)	n/a
Dedicated mine warfare ships	0 (to be replaced by LCSs)	26 (LCS program did not exist)	n/a
CLF ships	29	43	n/a
Support ships	34	22	n/a
<b>TOTAL ships</b>	<b>308</b>	<b>346</b> (numbers above add to 331-341) <sup>a</sup>	<b>346</b>

**Source:** Table prepared by CRS. **Sources for 1993 Bottom-Up Review:** Department of Defense, *Report on the Bottom-Up Review*, October 1993, Figure 7 on page 28; Department of the Navy, *Highlights of the FY 1995 Department of the Navy Budget*, February 1994, p. 1; Department of the Navy, *Force 2001, A Program Guide to the U.S. Navy*, 1994 edition, p. 15; Statement of VADM T. Joseph Lopez, U.S. Navy, Deputy Chief of Naval Operations (Resources, Warfare Requirements & Assessments), Testimony to the Military Forces and Personnel Subcommittee of the House Armed Services Committee, March 22, 1994, pp. 2-5. **Source for independent panel report:** Stephen J. Hadley and William J. Perry, co-chairmen, et al., *The QDR in Perspective: Meeting America's National Security Needs In the 21<sup>st</sup> Century, The Final Report of the Quadrennial Defense Review Independent Panel*, Washington, 2010, Figure 3-2 on pages 58-59.

**Notes:** **n/a** is not addressed in the report. **SSBN** is nuclear-powered ballistic missile submarine; **SSGN** is nuclear-powered cruise missile and special operations forces submarine; **SSN** is nuclear-powered attack submarine; **LCS** is Littoral Combat Ship; **MPF(F)** is Maritime Prepositioning Force (Future) ship; **CLF** is combat logistics force (i.e., resupply) ship; **MEB** is Marine Expeditionary Brigade.

- a. The Navy testified in 1994 that the planned number was adjusted from 346 to 330 to reflect reductions in numbers of tenders and early retirements of some older amphibious ships.

In a letter dated August 11, 2010, Secretary of Defense Robert Gates provided his comments on the independent panel's report. The letter stated in part:

I completely agree with the Panel that a strong navy is essential; however, I disagree with the Panel's recommendation that DoD should establish the 1993 Bottom Up Review's (BUR's) fleet of 346 ships as the objective target. That number was a simple projection of the then-planned size of [the] Navy in FY 1999, not a reflection of 21<sup>st</sup> century, steady-state requirements. The fleet described in the 2010 QDR report, with its overall target of 313 to 321 ships, has roughly the same number of aircraft carriers, nuclear-powered attack submarines, surface combatants, mine warfare vessels, and amphibious ships as the larger BUR fleet. The main difference between the two fleets is in the numbers of combat logistics, mobile logistics, and support ships. Although it is true that the 2010 fleet includes fewer of these ships, they are all now more efficiently manned and operated by the Military Sealift Command and meet all of DoD's requirements....

I agree with the Panel's general conclusion that DoD ought to enhance its overall posture and capabilities in the Asia-Pacific region. As I outlined in my speech at the Naval War College in April 2009, "to carry out the missions we may face in the future... we will need numbers, speed, and the ability to operate in shallow waters." So as the Air-Sea battle concept development reaches maturation, and as DoD's review of global defense posture continues, I will be looking for ways to meet plausible security threats while emphasizing sustained forward presence – particularly in the Pacific.<sup>46</sup>

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<sup>46</sup> Letter dated August 11, 2010, from Secretary of Defense Robert Gates to the chairmen of the House and Senate Armed Services and Appropriations Committees, pp. 3 and 4. The ellipsis in the second paragraph appears in the letter.

## Appendix C. U.S. Strategy and the Size and Structure of U.S. Naval Forces

This appendix presents some observations on the relationship between U.S. strategy and the size and structure of U.S. naval forces that can form part of the context for assessing Navy force structure goals and shipbuilding plans.<sup>47</sup>

Strategic considerations that can be considered in assessing Navy force structure goals and shipbuilding plans include, among other things, the U.S. strategic rebalancing toward the Asia-Pacific region,<sup>48</sup> China's modernization of its maritime military capabilities,<sup>49</sup> and requests from U.S. regional combatant commanders (COCOMs) for forward-deployed U.S. naval forces that the Navy has testified would require a Navy of about 450 ships to fully meet.<sup>50</sup>

More broadly, from a strategic perspective it can be noted that that U.S. naval forces, while not inexpensive, give the United States the ability to convert the world's oceans—a global commons that covers more than two-thirds of the planet's surface—into a medium of maneuver and operations for projecting U.S. power ashore and otherwise defending U.S. interests around the world. The ability to use the world's oceans in this manner—and to deny other countries the use of the world's oceans for taking actions against U.S. interests—constitutes an immense asymmetric advantage for the United States. This point would be less important if less of the world were covered by water, or if the oceans were carved into territorial blocks, like the land. Most of the world, however, is covered by water, and most of those waters are international waters, where naval forces can operate freely. The point, consequently, is not that U.S. naval forces are intrinsically special or privileged—it is that they have a certain value simply as a consequence of the physical and legal organization of the planet.

An additional point that can be noted in relating U.S. naval forces to U.S. national strategy is that most of the world's people, resources, and economic activity are located not in the Western Hemisphere, but in the other hemisphere, particularly Eurasia. In response to this basic feature of world geography, U.S. policymakers for the last several decades have chosen to pursue, as a key element of U.S. national strategy, a goal of preventing the emergence of a regional hegemon in one part of Eurasia or another, on the grounds that such a hegemon could represent a concentration of power strong enough to threaten core U.S. interests by, for example, denying the United States access to some of the other hemisphere's resources and economic activity. Although U.S. policymakers do not often state this key national strategic goal explicitly in public, U.S. military operations in recent decades—both wartime operations and day-to-day operations—have been carried out in no small part in support of this key goal.

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<sup>47</sup> This appendix adapts material originally presented in Statement of Ronald O'Rourke, Specialist in Naval Affairs, Congressional Research Service, Before the House Armed Services Committee Subcommittee on Seapower and Projection Forces on the Navy's FY2014 30-Year Shipbuilding Plan, October 23, 2013, pp. 1, 17-18.

<sup>48</sup> For more on the strategic rebalancing, see CRS Report R42146, *Assessing the January 2012 Defense Strategic Guidance (DSG): In Brief*, by Catherine Dale and Pat Towell; and CRS Report R42448, *Pivot to the Pacific? The Obama Administration's "Rebalancing" Toward Asia*, coordinated by Mark E. Manyin.

<sup>49</sup> For more on China's modernization of its maritime military capabilities, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

<sup>50</sup> Navy officials testified in March 2014 that a Navy of 450 ships would be required to fully meet COCOM requests for forward-deployed Navy forces. (Spoken testimony of Admiral Jonathan Greenert at a March 12, 2014, hearing before the House Armed Services Committee on the Department of the Navy's proposed FY2015 budget, as shown in transcript of hearing.)

The U.S. goal of preventing the emergence of a regional hegemon in one part of Eurasia or another is a major reason why the U.S. military is structured with force elements that enable it to cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival. Force elements associated with this goal include, among other things, an Air Force with significant numbers of long-range bombers, long-range surveillance aircraft, long-range airlift aircraft, and aerial refueling tankers, and a Navy with significant numbers aircraft carriers, nuclear-powered attack submarines, large surface combatants, large amphibious ships, and underway replenishment ships.

The United States is the only country in the world that designs its military to cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival. The other countries in the Western Hemisphere do not design their forces to do this because they cannot afford to, and because the United States is, in effect, doing it for them. Countries in the other hemisphere do not design their forces to do this for the very basic reason that they are already in the other hemisphere, and consequently instead spend their defense money on forces that are tailored largely for influencing events in their own local region.

The fact that the United States designs its military to do something that other countries do not design their forces to do—cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival—can be important to keep in mind when comparing the U.S. military to the militaries of other nations. For example, in observing that the U.S. Navy has 11 aircraft carriers while other countries have no more than one or two, it can be noted other countries do not need a significant number of aircraft carriers because, unlike the United States, they are not designing their forces to cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival.

As another example, it is sometimes noted, in assessing the adequacy of U.S. naval forces, that U.S. naval forces are equal in tonnage to the next dozen or more navies combined, and that most of those next dozen or more navies are the navies of U.S. allies. Those other fleets, however, are mostly of Eurasian countries, which do not design their forces to cross to the other side of the world and then conduct sustained, large-scale military operations upon arrival. The fact that the U.S. Navy is much bigger than allied navies does not necessarily prove that U.S. naval forces are either sufficient or excessive; it simply reflects the differing and generally more limited needs that U.S. allies have for naval forces. (It might also reflect an underinvestment by some of those allies to meet even their more limited naval needs.)

Countries have differing needs for naval and other military forces. The United States, as a country located in the Western Hemisphere with a goal of preventing the emergence of a regional hegemon in one part of Eurasia or another, has defined a need for naval and other military forces that is quite different from the needs of allies that are located in Eurasia. The sufficiency of U.S. naval and other military forces consequently is best assessed not through comparison to the militaries of other countries, but against U.S. strategic goals.

## Appendix D. Size of the Navy and Navy Shipbuilding Rate

### Size of the Navy

**Table D-1** shows the size of the Navy in terms of total number of ships since FY1948; the numbers shown in the table reflect changes over time in the rules specifying which ships count toward the total. Differing counting rules result in differing totals, and for certain years, figures reflecting more than one set of counting rules are available. Figures in the table for FY1978 and subsequent years reflect the battle force ships counting method, which is the set of counting rules established in the early 1980s for public policy discussions of the size of the Navy.

As shown in the table, the total number of battle force ships in the Navy reached a late-Cold War peak of 568 at the end of FY1987 and began declining thereafter.<sup>51</sup> The Navy fell below 300 battle force ships in August 2003 and as of September 21, 2016, included 276 battle force ships.

As discussed in **Appendix A**, historical figures for total fleet size might not be a reliable yardstick for assessing the appropriateness of proposals for the future size and structure of the Navy, particularly if the historical figures are more than a few years old, because the missions to be performed by the Navy, the mix of ships that make up the Navy, and the technologies that are available to Navy ships for performing missions all change over time, and because the number of ships in the fleet in an earlier year might itself have been inappropriate (i.e., not enough or more than enough) for meeting the Navy's mission requirements in that year.

For similar reasons, trends over time in the total number of ships in the Navy are not necessarily a reliable indicator of the direction of change in the fleet's ability to perform its stated missions. An increasing number of ships in the fleet might not necessarily mean that the fleet's ability to perform its stated missions is increasing, because the fleet's mission requirements might be increasing more rapidly than ship numbers and average ship capability. Similarly, a decreasing number of ships in the fleet might not necessarily mean that the fleet's ability to perform stated missions is decreasing, because the fleet's mission requirements might be declining more rapidly than numbers of ships, or because average ship capability and the percentage of time that ships are in deployed locations might be increasing quickly enough to more than offset reductions in total ship numbers.

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<sup>51</sup> Some publications have stated that the Navy reached a peak of 594 ships at the end of FY1987. This figure, however, is the total number of active ships in the fleet, which is not the same as the total number of battle force ships. The battle force ships figure is the number used in government discussions of the size of the Navy. In recent years, the total number of active ships has been larger than the total number of battle force ships. For example, the Naval History and Heritage Command (formerly the Naval Historical Center) states that as of November 16, 2001, the Navy included a total of 337 active ships, while the Navy states that as of November 19, 2001, the Navy included a total of 317 battle force ships. Comparing the total number of active ships in one year to the total number of battle force ships in another year is thus an apples-to-oranges comparison that in this case overstates the decline since FY1987 in the number of ships in the Navy. As a general rule to avoid potential statistical distortions, comparisons of the number of ships in the Navy over time should use, whenever possible, a single counting method.

**Table D-1. Total Number of Ships in the Navy Since FY1948**

FY <sup>a</sup>	Number	FY <sup>a</sup>	Number	FY <sup>a</sup>	Number	FY <sup>a</sup>	Number
1948	737	1970	769	1992	466	2014	289
1949	690	1971	702	1993	435	2015	271
1950	634	1972	654	1994	391		
1951	980	1973	584	1995	373		
1952	1,097	1974	512	1996	356		
1953	1,122	1975	496	1997	354		
1954	1,113	1976	476	1998	333		
1955	1,030	1977	464	1999	317		
1956	973	1978	468	2000	318		
1957	967	1979	471	2001	316		
1958	890	1980	477	2002	313		
1959	860	1981	490	2003	297		
1960	812	1982	513	2004	291		
1961	897	1983	514	2005	282		
1962	959	1984	524	2006	281		
1963	916	1985	541	2007	279		
1964	917	1986	556	2008	282		
1965	936	1987	568	2009	285		
1966	947	1988	565	2010	288		
1967	973	1989	566	2011	284		
1968	976	1990	547	2012	287		
1969	926	1991	526	2013	285		

**Source:** Compiled by CRS using U.S. Navy data. Numbers shown reflect changes over time in the rules specifying which ships count toward the total. Figures for FY1978 and subsequent years reflect the battle force ships counting method, which is the set of counting rules established in the early 1980s for public policy discussions of the size of the Navy.

- a. Data for earlier years in the table may be for the end of the calendar year (or for some other point during the year), rather than for the end of the fiscal year.

## Shipbuilding Rate

**Table D-2** shows past (FY1982-FY2016) and requested or programmed (FY2017-FY2021) rates of Navy ship procurement.



**Table D-2. Battle Force Ships Procured or Requested/Programmed, FY1982-FY2021**  
(Procured FY1982-FY2016; requested or programmed FY2017-FY2021)

82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01
17	14	16	19	20	17	15	19	15	11	11	7	4	4	5	4	5	5	6	6
02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21
6	5	7	8	4 <sup>a</sup>	5 <sup>a</sup>	3 <sup>a</sup>	8	7	10	11 <sup>0</sup>	11	8	8	9	7	8	7	8	8

**Source:** CRS compilation based on Navy budget data and examination of defense authorization and appropriation committee and conference reports for each fiscal year. The table excludes non-battle force ships that do not count toward the 308-ship goal, such as certain sealift and prepositioning ships operated by the Military Sealift Command and oceanographic ships operated by agencies such as the National Oceanic and Atmospheric Administration (NOAA).

a. The totals shown for FY2006, FY2007, and FY2008, reflect the cancellation two LCSs funded in FY2006, another two LCSs funded in FY2007, and an LCS funded in FY2008.

The total shown for FY2012 includes two JHSVs—one that was included in the Navy’s FY2012 budget submission, and one that was included in the Army’s FY2012 budget submission. Until FY2012, JHSVs were being procured by both the Navy and the Army. The Army was to procure its fifth and final JHSV in FY2012, and this ship was included in the Army’s FY2012 budget submission. In May 2011, the Navy and Army signed a Memorandum of Agreement (MOA) transferring the Army’s JHSVs to the Navy. In the FY2012 DOD Appropriations Act (Division A of H.R. 2055/P.L. 112-74 of December 23, 2011), the JHSV that was in the Army’s FY2012 budget submission was funded through the Shipbuilding and Conversion, Navy (SCN) appropriation account, along with the JHSV that the Navy had included in its FY0212 budget submission. The four JHSVs that were procured through the Army’s budget prior to FY2012, however, are *not* included in the annual totals shown in this table.

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